中國基建投資有限公司

China Infrastructure Investment Limited

(Formerly known as Honesty Treasure International Holdings Ltd)

(Stock Code : 600)

Annual Report 2008

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

LAW Kar Po	*(Chairman)*
HOI Man Pak	*(Vice Chairman)*
CHOY Wang Kong	*(Chief Executive Officer)*
GAO Feng	
YONG Wing Tai, William	
CHIANG Kin Tong	
LAW Wing Yee, Wendy	
LEE Siu Yuk, Eliza	

Independent Non-executive Directors:

LAU Wai Ming#
KWOK Hong Yee, Jesse#
LI Kam Fai, Dominic#

(# Members of Audit Committee)

COMPANY SECRETARY

LAW Chun Choi

SOLICITORS

On Hong Kong Law
Iu, Lai & Li Solicitors
Richards Butler

On Cayman Islands Law
W.S. Walker & Company

AUDITORS

CCIF CPA Limited

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Room 2007, 20th Floor,
West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

The Harbour Trust Co. Ltd.
P.O. Box 897,
One Capital Place, George Town,
Grand Cayman KY1-1103, Cayman Islands

SHARE REGISTRARS & TRANSFER OFFICE

Principal Registrars
The Harbour Trust Co. Ltd.
P.O. Box 897,
One Capital Place, George Town,
Grand Cayman KY1-1103, Cayman Islands

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

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Shanghai Commercial Bank Limited
Wing Hang Bank, Limited

Chairman's Statement

For the best interest of the Group, we had disposed various Macau projects, namely 50 residential units and 58 car parks at various floors of Edificio Zhu Kuan Mansion and a seven-storey building located near Tap Siac Square, Macau, at a profit during the year ended 31 December 2008 so as to put more efforts and resources on the property development and investment projects as well as on the ancillary infrastructure investment in the People's Republic of China ("PRC"). These disposals allowed the Group to repay the corresponding outstanding mortgage loans resulting in lower gearing and to contribute towards savings in interest expenses, thereby enhancing the Group's financial position.

Having considered that Pathway International Limited ("Pathway"), which was engaged in trading of leather products, had continued to be loss making in the past nine years, the Company had disposed its entire interest in Pathway during the year because this business segment had no synergy with the Group's other activities. As a result, the Group could focus and deploy its resources towards other businesses.

Shenyang, the largest city in Liaoning Province, is the economic, cultural, transport and trade centre of northeast China. According to 2008 Liaoning Statistical Yearbook, among the major sources of foreign direct investment in Liaoning, namely Hong Kong, South Korea, Japan and the US, Hong Kong is ranked the first. Therefore, we have full confidence in our investment in the property development project in Shenyang. The residential buildings, which comprise 1,105 units with total gross floor area of about 105,000 square metres, have a topping-out work in late 2008. The residential units will be put in use upon completion and acceptance in the third quarter of this year. Comparing with other cities in the PRC, the effect of the global financial crisis on the property market in Shenyang is relatively lower. Therefore, we believe that this property project will bring satisfactory income to the Group after its completion.

As certain precedent conditions for the completion of the acquisition in Yancheng Power Plant project were not completed satisfactorily and also in view of the current adverse global economic conditions and a worsening operating environment, after careful consideration, the Board of Directors has decided to discuss with the vendor for a possible extension of the completion date and to re-negotiate the terms of the acquisition in Yancheng Power Plant project. Moreover, we will continue to look for other investment opportunities in relation to the city infrastructure projects in mainland China when the timing is appropriate.

On behalf of the Company and the management, I would like to thank our fellow directors and staff for their contributions to the Group in the past. Their support and devotion is the key to the Group's success.

Law Kar Po
Chairman

17 April 2009

CHANGE OF COMPANY NAME

The name of the Company has been changed from "Honesty Treasure International Holdings Limited 信寶國際控股有限公司" to "China Infrastructure Investment Limited 中國基建投資有限公司" with effect from 16 January 2008. As the Company has been increasing its investments in the PRC, the Directors believe that the change of name of the Company would be more consistent with its underlying business and hence this would benefit its future business development.

BUSINESS REVIEW

The global financial crisis was due to the US sub-prime turmoil during the third quarter of 2008. As a result, the global economy has slowed down arising from the credit crunch. The loss attributable to equity shareholders of the Company for the year ended 31 December 2008 was HK$116 million. Such loss was mainly attributable to the revaluation deficit as a result of fair value changes in investment properties of approximately HK$201 million. Excluding this isolating effect, the Group's underlying profit would become HK$85 million.

Macau Projects

Hotel and entertainment business

For the year under review, the Group has continued to generate its major returns through its associate, Hotel Golden Dragon (Macao) Company Limited ("Hotel Golden Dragon"). The share of operating results during the year under review was HK$42 million, whereas the corresponding amount for last year was HK$84 million. The decrease in operating profit from Hotel Golden Dragon was mainly because the hotel premises were under renovation during the first half of the year under review together with the tightening of PRC's "Individual Visit Scheme" so that the revenue from hotel and entertainment business had dropped by about 24%. In addition, the opening of the luxurious hotels and the world's top class casinos did make the market overwhelmed with competitions and the increase in operating cost, especially the salaries and wages. As a result of the renovation, there was also a share of loss on disposal of fixed assets of approximately HK$10 million this year.

In addition, there was a share of revaluation deficit on hotel properties amounting to approximately HK$180 million arising from the current adverse financial and economic conditions as opposed to a share of revaluation gain of HK$40 million last year.

Properties development and investment

1. *Edificio Zhu Kuan Mansion, Macau (澳門珠光大廈)*

All the 50 residential units and 58 car parks were disposed during the year under review and the total profit on disposal was approximately HK$19.7 million.

2. *Tap Siac, Macau (澳門塔石街)*

This is a single seven-storey building located near Tap Siac Square, Macau. The original proposed renovation work was suspended following the Board's intention to consider the possibility of re-developing the site with a different plot ratio. Finally, the Board considered that it was a good opportunity to dispose of this project, at a profit of approximately HK$19 million, for a total consideration of HK$37 million which was completed on 18 July 2008.

3. *Cheok Ka Chun, Taipa, Macau (澳門氹仔卓家村)*

It was proposed by the Board to dispose of the construction site situated at Lote TN6, Cheok Ka Chun, Taipa (the "Disposal"), for a consideration of HK$530 million, which was approved by the shareholders of the Company at the extraordinary general meeting held on 13 June 2008. Subsequently, the purchaser and Continental Ocean Investment and Development Company Limited, a 55% owned subsidiary of the Company holding the construction site, entered into a number of supplemental agreements to extend the completion of the Disposal from late June 2008 to 15 December 2008. However, the purchaser of the Disposal failed to pay the remaining balance of the consideration under the Disposal on 15 December 2008 (being the latest date for completion of the Disposal in accordance with its terms). As such, on 22 December 2008, the Board decided to unilaterally terminate the Disposal in order to conclude the transaction. In this connection, all previous payments and deposits in the aggregate amount of approximately HK$32 million made by the purchaser under the Disposal were forfeited.

In view of the rapid development in Taipa and Coloane, the Board intended to develop the construction site into a high-storey and luxurious residential apartment with commercial units. Therefore, an application for the development plan had been submitted to the Macau governmental authority in 2009.

PRC Projects

Infrastructure

Yancheng Power Plant

The power plant is located in Yancheng City, Jiangsu Province and is still under construction. The power plant will be equipped with two 15 mega-watt extraction/condensing steam turbines, three 75 tonnes/hour straw fuel boilers. It is designed to supply approximately 148 million kilowatt-hour of electricity and approximately 1 million gigajoule of heat generation per annum by recycling approximately 270,000 tonnes of agricultural wastes per annum.

As at the balance sheet date, deposits in the amount of HK$140 million has been paid for the acquisition of Yancheng Power Plant. As certain precedent conditions for the completion of the acquisition in Yancheng Power Plant project were not completed satisfactorily and also in view of the current adverse global economic conditions and a worsening operating environment, after careful consideration, the Board of Directors has decided to discuss with the vendor for a possible extension of the completion date and to re-negotiate the terms of the acquisition in Yancheng Power Plant project.

Properties development and investment

Shenyang Project

The Group has a 70% interest in the development project of Pan-China Commercial Square in Hunnan New District, Shenyang, PRC which is opposite to the Shenyang Olympic Gymnasium Center while the remaining 30% is held by Pan-China Construction Group Limited. The development project has a site area of approximately 75,532 sq. m. which is planned to develop into a landmark composite development project with a total gross floor area of approximately 460,293 sq. m., comprising residential buildings, shopping malls, commercial office buildings, high-class service apartments and 5-star hotels.

The development project is under construction and is scheduled to be completed in phases from 2009 onwards. It is expected that 1,105 residential units in total will be available upon completion. Pre-sale of 2 blocks of residential units has commenced in June 2008 and totally 4 blocks of residential units have been available for sale by the end of December 2008. As at 31 December 2008, 207 units were sold out, at an average selling price of RMB4,700 per sq. m., for total sale proceeds of approximately RMB83 million.

The shopping mall is expected to complete by the end of 2009. A number of famous enterprises, such as Wal-Mart (China) Investment Company Limited ("沃爾瑪(中國)"), Ajisen (China) Holdings Limited ("味千中國"), Da Lian Bao Bei Du Kou Children's Playground ("大連寶貝渡口兒童樂園") and Cinema Management Group Limited ("CMG") had signed Cooperative Alliance Cooperation Agreements with Pan-China (Shenyang) Real Estate Development Limited to be the shopping mall's lessees. We are confident that this initiative will put the shopping mall on a solid base for future returns, and will bring strong income growth in the future as well as attract more sales of residential units.

Leather trading

The leather trading market is still in rigorous competition and this continuously loss-making operation was disposed for a consideration of HK$3 million which was completed on 3 July 2008. Upon completion of the disposal, the Group discontinued the leather trading business and recorded a gain on disposal of approximately HK$26 million.

Hong Kong Projects

The Sun's Group Centre

On 25 July 2008, the Company entered a provisional agreement to acquire a property located at 29th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong (the "Property") for a consideration of HK$81 million. The acquisition was completed on 17 September 2008. The existing tenancy agreement, with a monthly rental income of HK$221,640, of the Property was extended to 17 June 2009. The Property was acquired to be the Group's permanent office upon expiry of the current tenancy agreement of the Group's office, located at Shun Tak Centre, in August 2009.

HUMAN RESOURCES

As at 31 December 2008, the Group employed about 55 full-time staff in Hong Kong and the PRC. The Group is committed to maintain the competitiveness of the staff. The Group remunerates employees based on their performance, experience and prevailing industry practices so as to retain the competent and talented employees. It also offers benefits such as training programme to staff to enhance their senses of loyalty.

FINANCIAL REVIEW

Results

For the year ended 31 December 2008, the Group reported a turnover of HK$83 million, compared with HK$28 million for the year ended 31 December 2007, an increase of approximately 196% from last year. The loss attributable to equity shareholders of the Company from continuing operations for the year ended 31 December 2008 was HK$137 million as opposed to a profit of HK$102 million in last year.

Capital Structure

The capital structure of the Group consists of debt (which includes borrowings and convertible notes), cash and cash equivalents and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves, retained earnings of the Group and accumulated losses of the Company.

Fund-raising activities

Reference was made to the announcement dated 9 January 2008, the Group successfully placed a total of 430,000,000 new Shares at HK$0.41 per Placing Share to Baron International Limited, China Life Franklin Asset Management Co., Limited, CQS Convertible & Quantitative Strategies Master Fund Limited, CQS Asia Master Fund Limited and Good Allied Asset Management Limited, who, together with their respective ultimate beneficial owners were Independent Third Parties. Completion of the Placing took place on 9 January 2008. The gross proceeds raised approximately HK$176 million. The Placing was to raise further capital to strengthen the Group's general working capital base as well as the shareholders base of the Company. The net proceeds of approximately HK$150 million from the Placing was used for the further development of the Shenyang Project and the remaining balance of approximately HK$22.7 million for the general working capital of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

Equity attributable to equity shareholders of the Company as at 31 December 2008 was HK$1,120 million (2007: HK$1,052 million). The Group's net debt-to-capital ratio as at 31 December 2008 was 73.4% (2007: 83.8%).

The net current assets as at 31 December 2008 was HK$286 million (2007: HK$89 million) while the cash and bank balances as at 31 December 2008 was HK$133 million (2007: HK$102 million).

FINAL DIVIDEND

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

CONTINGENT LIABILITIES

A subsidiary of the Company acted as guarantor for the repayment of the mortgage bank loans granted to buyers of the subsidiary's properties amounted to HK$14 million (2007: nil) at 31 December 2008.

At the balance sheet date, the Group had no other significant contingent liabilities (2007: nil).

CHARGE ON ASSETS

As at the balance sheet date, assets of the Group amounting to HK$622 million (2007: HK$657 million) were pledged to banks to secure general banking facilities as set out in Note 41 to the financial statements.

FOREIGN CURRENCIES

During the year, most of the business transactions, assets and liabilities of the Group were denominated in Hong Kong Dollars, Renminbi, Macao Pataca and United States Dollars. The Group had no material foreign exchange exposure risks during the year.

PROSPECT OF THE GROUP

Under the current adverse global economy and a worsening operating environment, the Directors will be more cautious and prudent in carrying out the daily operations as well as investment strategies. The management will continue to look for property development projects in the second tier cities of the PRC, including Chengdu, Tianjin, Qingdao, Taiyuan and Hainan Island, with a view to expand the property development portfolio of the Group in future. Meanwhile, we shall continue to look for other investment opportunities in relation to the city infrastructure projects in mainland China when the timing is appropriate. We shall adjust our plans to look for investment opportunities which offer satisfactory returns to the shareholders of the Company within the acceptable risk profile of the Group.

The board of directors (the "Board") and the Management of the Company are committed to the principles of corporate governance and to maximize shareholders' value. These principles and objectives enhance the transparency, accountability and independence of the Company and its ability to attract investment and protect rights of shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Directors confirm that, throughout the financial year, the Company complied with the code provisions of the Code with a deviation of code provision A.4.1 which stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term and subject to re-election. The term of office for non-executive Directors and independent non-executive Directors of the Company is not specific. It is provided in the Company's articles of association that all the Directors are subject to retirement by rotation at least once every three years at the annual general meetings and are eligible for re-appointment. The Directors are of the view that such provision in the Company's articles of association has been able to safeguard corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

During the financial year, the Board was made up of eight executive Directors and three independent non-executive Directors and they are collectively responsible for the success of the Company. Each Director has a duty to act in good faith and in the best interests of the Company for the manner in which the affairs of the Company are managed, controlled and operated. The Board, as at 31 December 2008, comprised:

(a) eight executive Directors, namely Mr. Law Kar Po (Chairman), Mr. Hoi Man Pak (Vice Chairman), Mr. Choy Wang Kong (Chief Executive Officer), Mr. Gao Feng, Mr. Yong Wing Tai, William, Mr. Chiang Kin Tong, Ms. Law Wing Yee, Wendy (who is a daughter of Mr. Law Kar Po) and Ms. Lee Siu Yuk, Eliza.

(b) three independent non-executive Directors required under Rule 3.10(1) of the Listing Rules, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Li Kam Fai, Dominic. Two of them have appropriate professional qualifications, accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The Company considers that the Board has a range of the necessary skills and experiences for discharging their duties. All Directors have been kept informed of major changes on a timely basis by the Senior Management that may affect the Company's business.

INDEPENDENT PROFESSIONAL ADVICE

The Directors may, in appropriate circumstances, take independent professional advice or external consultants at the Company's expense. Professional consultants included counsel and public relations company. Counsel was engaged to provide the Board with advice on legal matters and the public relations company has given the Board and its Senior Management opinions on fortifying the corporate image.

BOARD MEETINGS

The Board meets regularly to set up the objectives of the Company, make decisions on strategic plans and budgets, monitor the performance of the Senior Management, determine and review the strategy of the Company, and oversee the Company's compliance with statutory and regulatory obligations ensuring there is a sound system of internal control and risk management with a goal of protecting the interests of all shareholders.

Sufficient notices accompanying with agendas for regular and non-regular board meetings were given to all of the directors so that full attendance could be attained and the best business decisions could be made with ample information supplied. The Board conducts meeting on a regular and ad hoc basis, as required by business needs.

The Board held totally four board meetings during the financial year and the attendance of individual director is recorded as follows:

Attendance Record of Board Meetings (1 January 2008 – 31 December 2008)

		Attendance	Attendance Rate
Number of board meetings		**4**	
Executive Directors			
LAW Kar Po *(Chairman)*		4/4	100%
HOI Man Pak *(Vice Chairman)*		0/4	0%
CHOY Wang Kong *(Chief Executive Officer)*		3/4	75%
GAO Feng	(appointed on 14 February 2008)	2/3	67%
YONG Wing Tai, William		2/4	50%
CHIANG Kin Tong		2/4	50%
LAW Wing Yee, Wendy		2/4	50%
LEE Siu Yuk, Eliza		4/4	100%
Non-executive Director			
Leonel Alberto ALVES	(resigned on 5 June 2008)	0/2	0%
Independent Non-executive Directors			
LAU Wai Ming		4/4	100%
KWOK Hong Yee, Jesse		4/4	100%
LI Kam Fai, Dominic		4/4	100%

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of performance of their duties. The insurance coverage is reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, two of whom have financial management expertise, which contributes to the effective direction of the Company. The Board is aware of other commitments of the independent non-executive Directors and is satisfied that these do not conflict with their duties as Directors of the Company. The Board has received from each of them the annual confirmation of independence required by Rule 3.13 of the Listing Rules. Based on those confirmations, the Board considers that each of the independent non-executive Directors to be independent.

The terms and conditions of appointing the independent non-executive Directors are available for inspection at the Company's registered office.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with code provision A.2.1 of the Code and to reinforce the respective independence and accountability, the role and function of the Chairman and the Chief Executive Officer of the Company are segregated.

Mr. Law Kar Po is the Chairman of the Company while Mr. Choy Wang Kong is the Chief Executive Officer of the Company. Their respective responsibilities are clearly established and defined by the Board in writing.

THE BOARD AND SENIOR MANAGEMENT

The Board, headed by the Chairman, is responsible for formulation and approval of the Company's development and business strategies and policies, approval of annual budgets and business plans and supervision of the Senior Management for the best interest of the Company.

The task of the Senior Management is the successful implementation of the strategy and direction as determined by the Board. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board and shareholders. The Board delegates the Senior Management to identify investment opportunities, implement internal control and risk management, compile financial reports and discharge day-to-day management of the Company's operations. The Board establishes the strategic direction of the Company and monitors the performance of Senior Management. The Senior Management is responsible for the day-to-day operations and administration function of the Group under the leadership of the executive Directors. Powers delegated by the Board to the Senior Management include implementation of the strategy and direction determined by the Board, operation of the Group's daily businesses and compliance with applicable laws and regulations.

During the financial year, the Board reviewed the remuneration packages of the Directors and the Senior Management, including discretionary bonus, which were based on individual performance, skill and knowledge, involvement in the Group's affairs and performance and profitability of the Group.

BOARD COMMITTEES

The Board has established internal committees which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules. They are Compensation Committee, Nomination Committee and Audit Committee. To further reinforce independence, the Compensation Committee, Nomination Committee and Audit Committee are structured to include a majority of independent non-executive Directors.

COMPENSATION COMMITTEE

The Compensation Committee was chaired by Mr. Law Kar Po with committee members comprising three independent non-executive Directors, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Li Kam Fai, Dominic. The Compensation Committee makes recommendations to the Board for the remunerations and benefits of the Chairman, the Directors and the Senior Management of the Company. The responsibilities of the Compensation Committee are described in the terms of reference adopted. Details of the remunerations of the Directors are shown on pages 73 to 74 of this Annual Report. The Compensation Committee had met once during the financial year.

NOMINATION COMMITTEE

The members of the Nomination Committee included three independent non-executive Directors, namely Mr. Lau Wai Ming, Mr. Kwok Hong Yee, Jesse and Mr. Li Kam Fai, Dominic with Mr. Law Kar Po as the Committee Chairman. The Nomination Committee is responsible for making recommendations to the Board for its approval on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines take account of appropriate industry experience, professional ethics and knowledge, personal skills and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Chairman of the Committee, in consultation with the person responsible for human resources and the secretary of the Nomination Committee, should be primarily responsible for drawing up and approving the agenda for each Nomination Committee meeting. Potential candidates are then considered at the Nomination Committee meetings based on their experience, professional qualifications and their expected remuneration packages. The Committee did not hold any meeting during the financial year.

AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reports, internal controls and corporate governance issues and makes relevant recommendations to the Board. The written terms of reference which describes the authority and duties of the Audit Committee has been prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and amended in accordance with the Code. All the committee members are independent non-executive Directors and two of them possess appropriate professional qualifications, accounting or financial management expertise. The Chairman of the Committee, Mr. Li Kam Fai, Dominic, is a qualified accountant and has the relevant financial experience. Other members are Mr. Lau Wai Ming and Mr. Kwok Hong Yee, Jesse. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee held three meetings during the financial year and the attendance of individual member is recorded as below. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with the Senior Management on auditing, internal control and financial reporting matters.

Attendance Record of Audit Committee Meetings (1 January 2008 – 31 December 2008)

	Attendance	Attendance Rate
Number of audit committee meetings	**3**	
Independent Non-executive Directors		
LI Kam Fai, Dominic	3/3	100%
LAU Wai Ming	3/3	100%
KWOK Hong Yee, Jesse	3/3	100%

AUDITORS' REMUNERATION

During the year ended 31 December 2008, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	HK$'000
Audit services	1,923
Non-audit services	1,055
	2,978

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors aim to present the financial statements of the Company in accordance with the statutory requirements and applicable accounting standards. The Directors ensure the publication of financial statements of the Company in a timely manner that the final and interim results of the Company are announced within the four months and three months limit respectively after the end of the relevant periods prescribed under the Listing Rules.

The financial statements of the Company for the year ended 31 December 2008 have been reviewed by the Audit Committee and audited by the external auditors, CCIF CPA Limited. The Directors acknowledge their responsibilities for preparing the financial statements of the Company and presenting a balanced, clear and comprehensive assessment of the Company's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to continue as a going concern. The Statement of the Auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

INTERNAL CONTROL

The Board is committed to manage risk and to control its business and financial activities so as to maximize profitable business opportunities, avoid or reduce risks which can cause loss or damage to reputation, ensure compliance with applicable rules and regulations, and enhance resilience to external events. The Board has delegated to the Senior Management the implementation of such systems of internal control as well as risk management. The effectiveness and adequacy of the systems of internal control and risk management are reviewed periodically by the Board and the Audit Committee. Based on the assessment made by them for the financial year, the Board is satisfied that the internal controls and accounting systems of the Company have been in place and function effectively. The internal controls and accounting systems are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Company are identified and monitored, material transactions are executed in accordance with management's authorization and the accounts are reliable for publication.

INVESTOR RELATIONS

The Company continues to pursue a proactive policy of promoting corporate transparency and communications with potential investors and investment community through its mandatory interim and final reports. The Senior Management responsible for investor relations holds meetings with press reporters and potential strategic investors to keep them abreast of the Company's development.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communications with all shareholders so that they can exercise their rights as shareholders in an informed manner. Besides regular distribution of financial reports, the Company has a corporate website to foster effective communications with the shareholders. It is maintained to disseminate Company's announcements and presentations, shareholders' information and other relevant financial and non-financial information on a timely basis.

Another regular dialogue with shareholders is the annual general meeting. It provides a useful forum for shareholders to exchange their views with the Board.

EXECUTIVE DIRECTORS

Mr. LAW Kar Po, Chairman, aged 60, is presently the managing director of Lobo Investment Limited. He has over 30 years of experience in hotel investment, property investments, manufacturing and retailing businesses. Mr. Law is responsible for formulating the strategies of the Group and joined the Group in 2004.

Mr. Law is the director of Hotel Golden Dragon (Macao) Company Limited. He is also the director of Canasta Overseas Group Limited, Central Bingo Group Limited, China Chen Holdings Limited, China Infrastructure Limited, Fast Action Developments Limited, Honesty Services Limited, Honesty Treasure Limited, Honesty Treasure Management Limited, Pan-China (Shenyang) Real Estate Development Limited, Pearl Oriental Macau Limited, Prospect Sync Holdings Limited, Star Palace Enterprises Limited, Super Times Far East Limited, Continental Ocean Investment and Development Company Limited, Ampleline Holdings Limited and Patient Holdings Limited, all of which are subsidiaries of the Company. Mr. Law is the father of Ms. Law Wing Yee, Wendy.

Mr. HOI Man Pak, Vice Chairman, aged 48, has over 20 years of experience in the tourism, hotel operations and entertainment business in Macau. He is a member of the Macau Tourism Development Committee of the Macau Government and a member of the Fujian-Macao Economic Cooperation Promotion Committee. Mr. Hoi is responsible for the development, management and operation of hotel business of the Group and joined the Group in 2005. Mr. Hoi is the director of Hotel Golden Dragon (Macao) Company Limited and Continental Ocean Investment and Development Company Limited which is a subsidiary of the Company.

Mr. CHOY Wang Kong, Chief Executive Officer, aged 63, is the Managing Director of Zhi Hua (China) Investment Co. Ltd. (志華(中國)投資有限公司). Mr. Choy has over 30 years of experience in property development, manufacturing and natural resources exploration in Macau and the mainland China, and he comprehends very well the Macau's property market. Mr. Choy is mainly responsible for the property developments of the Group and joined the Group in 2007. Mr. Choy is the director of Hotel Golden Dragon (Macao) Company Limited. He is also the director of Honesty Treasure Management Limited and Continental Ocean Investment and Development Company Limited, both of which are subsidiaries of the Company.

Mr. GAO Feng, aged 38, has over 10 years of experience in property development, project management, construction project and investments, in particular, in the People's Republic of China. Mr. Gao holds a Master degree of Business Administration from Keuka College, USA. He is responsible for the fund management and investors relationship of the Company and he joined the Group in 2008. Mr. Gao is the director of Patient Holdings Limited which is a subsidiary of the Company.

Ms. LAW Wing Yee, Wendy, aged 30, is a qualified solicitor in Hong Kong. Ms. Law holds a LLB degree from University of London, UK and the Postgraduate Certificate in Laws from University of Hong Kong. She is responsible for overall business development. Ms. Law joined the Group in 2004.

Ms. Law is the director of Canasta Overseas Group Limited, Honesty Services Limited, Honesty Treasure Limited, Pearl Oriental Macau Limited and Prospect Sync Holdings Limited, all of which are subsidiaries of the Company. She is a daughter of Mr. Law Kar Po.

Ms. LEE Siu Yuk, Eliza, aged 48, has over 20 years of experience in business operation, investment, marketing and project management. Ms. Lee holds a Master degree of Business Administration from Murdoch University, Australia. Ms. Lee is responsible for the implementation of corporate policy, business development plans, administration, the management of daily operation, marketing functions and general affairs of the Group. She joined the Group in 2004.

Ms. Lee is the director of Hotel Golden Dragon (Macao) Company Limited. She is also the director of Canasta Overseas Group Limited, Central Bingo Group Limited, China Chen Holdings Limited, China Infrastructure Limited, Fast Action Developments Limited, Honesty Services Limited, Honesty Treasure Limited, Honesty Treasure Management Limited, Pan-China (Shenyang) Real Estate Development Limited, Pearl Oriental Macau Limited, Prospect Sync Holdings Limited, Star Palace Enterprises Limited, Super Times Far East Limited, Continental Ocean Investment and Development Company Limited, Ampleline Holdings Limited and Patient Holdings Limited, all of which are subsidiaries of the Company.

Mr. YONG Wing Tai, William, aged 47, is the Managing Director of The First International Property Planning & Management Company Limited in Macau. He has ample experience in the field of real estate management and project development, with specialty in the business administration and the financial management. Mr. Yong graduated from the University of British Columbia in Canada. He is responsible for the project planning and management of the properties development of the Group. Mr. Yong joined the Group in 2007.

Mr. CHIANG Kin Tong, aged 25, is a Director of Kin Wo Property Company Limited (建和物業有限公司) in Macau. Mr. Chiang holds a Bachelor degree of Science in Business Administration. He is responsible for the marketing of the property development of the Group. He is a son of Mr. Chiang Pedro. Mr. Chiang joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Wai Ming, aged 53, has been a practising member of the Hong Kong Institute of Certified Public Accountants since 1986. He was an accountant of Staveley Far East Engineering Limited, a member company of an UK listed company. Mr. Lau is also a director of an association organizing seminars focusing on cultural exchange between east and west for business executives, professionals and civil servants in various cities. Mr. Lau joined the Group in 2005.

Mr. KWOK Hong Yee, Jesse, aged 55, is both an independent solicitor and notary in Messrs. Jesse H. Y. Kwok & Co. with substantial previous working experiences acting as solicitors of the Supreme Courts in Hong Kong, the United Kingdom and Singapore. He obtained his Bachelor of Laws (LLB) and Master of Laws (LLM) in Civil Laws from the Peking University in the PRC. Mr. Kwok was appointed as a Temporary Magistrate between December 1994 and March 1995, a Temporary Adjudicator of the Small Claims Tribunal and a Panel Arbitrator. He is also a member of the Law Society of Hong Kong, the Law Society of England, Singapore Academy of Law, the Chartered Institute of Arbitrators, the Hong Kong Securities Institute, the Hong Kong Institute of Directors and he is also a committee member of the Society of Notaries. Mr. Kwok joined the Group in 2005.

Mr. LI Kam Fai, Dominic, aged 56, has more than 20 years of experience in accounting industry. Mr. Li is the sole proprietor of Dominic K.F. Li & Co., providing accounting, statutory and special audits, tax consultancy, due diligence for mergers and acquisitions and business advisory services. Mr. Li is an associate member of Institute of Chartered Accountants in England and Wales and a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Li joined the Group in 2007.

SENIOR MANAGEMENT

Group Affairs

Mr. LAW Chun Choi, aged 49, is the Financial Controller of the Group and the Qualified Accountant and the Company Secretary of the Company. He is a rich-experienced accountant. Mr. Law has extensive experience in diversified business in Asia-Pacific. Mr. Law graduated from The Hong Kong Polytechnic University with a Postgraduate Diploma in Corporate Administration and Professional Diploma in Accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He joined the Group in 2005.

Properties Development and Investment

Mr. WANG Da De, aged 47, graduated from Chongqing Institute of Architecture & Engineering in 1986. He is now the Vice President of Pan-China Construction Group Limited and the General Manager of Pan-China (Shenyang) Real Estate Development Limited. He is a Senior Engineer and a First-Class Registered Construction Engineer. Mr. Wang has about 30 years of working experience in architecture and engineering, construction projects as well as investment and joined Pan-China Construction Group Limited in 2003. He had been the Manager of Pan-China Engineering (Zhongshan) Company Limited and Pan-China Engineering (Chengdu) Company Limited.

Mr. ZHANG Yin Nan, aged 38, graduated from Shenyang Jian Zhu University in 1994. He is now the Deputy General Manager of Pan-China (Shenyang) Real Estate Development Limited. He is a Senior Engineer in industrial and residential construction and a Second-Class Registered Construction Engineer. Mr. Zhang has 16 years of relevant working experience and joined Pan-China Construction Group Limited in 2003. He had been the Vice General Manager of Pan-China Engineering (Shenyang) Company Limited.

Mr. DUAN Hong Tao, aged 40, graduated from Shenyang Agricultural University in 1992. He is now the Vice General Manager of Pan-China (Shenyang) Real Estate Development Limited and the General Manager of Shenyang Pan-China Business Management Limited. He is the Chairman of Northeast Region of China Commercial Real Estate Profession Committee of China Commercial Real Estate Expert Association. Mr. Duan has over 10 years of relevant working experience and joined Pan-China Construction Group Limited in 2007. He had been the Manager of Real Estate Department (Northeast Region of China) of McDonald's (China) Company Limited.

Ms. GUAN Hai Jing, aged 40, graduated from Harbin Industrial University in 1988. She is now the Vice General Manager of Pan-China (Shenyang) Real Estate Development Limited. She is a Senior Engineer in industrial and residential construction and a First-Class Registered Construction Engineer. Ms. Guan has 11 years of property development working experience and joined Pan-China Construction Group Limited in 1997. She had been the Project Manager of 北京慧意投資有限公司 (Beijing Hui Yi Investment Company Limited*) and the Construction Architect in 黑龍江省牡丹江管局勘察設計院 (Heilongjiang Province Mudanjiang Guanju Exploration and Design Institute*).

* The English translation of the Chinese name(s), where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is primarily an investment holding company and its investment portfolio includes (i) hotel and real estate investments; and (ii) property development. The Company ceased its leather trading business upon disposal of the business in July 2008.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	47%	
Five largest customers in aggregate	98%	
The largest supplier		96%
Five largest suppliers in aggregate		98%

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 137 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on pages 33 to 34 of this annual report.

The state of the Company's and the Group's affairs as at 31 December 2008 are set out in the balance sheet on pages 35 to 37 of this annual report.

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Group and the Company during the year are set out in Note 34 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 34 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2008.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 18 and 19 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank borrowings as at 31 December 2008 are set out in Note 29 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement benefits scheme of the Group are set out in Note 33 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance and has complied throughout the year with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Further information on the Company's corporate governance practices is set out on pages 10 to 16 of this annual report.

DIRECTORS

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

Executive Directors:
Mr. Law Kar Po, Chairman
Mr. Hoi Man Pak, Vice Chairman
Mr. Choy Wang Kong, Chief Executive Officer
Mr. Gao Feng (appointed on 14 February 2008)
Mr. Yong Wing Tai, William
Mr. Chiang Kin Tong
Ms. Law Wing Yee, Wendy
Ms. Lee Siu Yuk, Eliza

Non-executive Director:
Mr. Leonel Alberto Alves (resigned on 5 June 2008)

Independent Non-executive Directors:
Mr. Lau Wai Ming
Mr. Kwok Hong Yee, Jesse
Mr. Li Kam Fai, Dominic

In accordance with the provisions of the Company's Articles of Association, Mr. Choy Wang Kong, Mr. Yong Wing Tai, William, Mr. Chiang Kin Tong and Ms. Law Wing Yee, Wendy shall retire from the Board at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

The term of office of each non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had any existing or propose service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(A) Long Position in the Ordinary Shares of HK$0.05 each ("Shares") of the Company

Name of Director	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	701,116,000	17.56
Mr. Hoi Man Pak	Beneficial owner	136,716,260 *(Note 1)*	3.42
	Interest of spouse *(Note 2)*	136,000	0.01
Mr. Choy Wang Kong	Beneficial owner	189,823,440 *(Note 3)*	4.75
Mr. Yong Wing Tai, William	Interest of spouse *(Note 4)*	700,000	0.02

Notes:

1. On 28 March 2008, Mr. Hoi Man Pak entered into a contract to sell 136,716,260 Shares, representing all the Shares beneficially owned by him. Completion of the said contract is expected to take place in April 2009.

2. These Shares were held by Ms. Wong Sao Lai, spouse of Mr. Hoi Man Pak.

3. On 28 March 2008, Mr. Choy Wang Kong entered into a contract to sell 189,823,400 Shares out of 189,823,440 Shares beneficially owned by him. Completion of the said contract is expected to take place in April 2009.

4. These Shares were held by Ms. Io Choi Leng, spouse of Mr. Yong Wing Tai, William.

(B) Long Position in the Underlying Shares

(i) Long position in the listed warrants ("2009 Warrants") of the Company

Name of Director	Capacity	Number of underlying Shares (in respect of the 2009 Warrants) held	% to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	37,286,288	0.93
Mr. Hoi Man Pak	Interest of spouse *(Note 1)*	14,144	0.01
Mr. Choy Wang Kong	Beneficial owner	6,600,821 *(Note 2)*	0.17
Mr. Yong Wing Tai, William	Beneficial owner	100,000	0.01
	Interest of spouse *(Note 3)*	72,800	0.01

Notes:

1. These underlying Shares were held by Ms. Wong Sao Lai, spouse of Mr. Hoi Man Pak.

2. On 28 March 2008, Mr. Choy Wang Kong entered into a contract to sell his entire beneficial interest in 6,600,821 underlying Shares in respect of the 2009 Warrants. Completion of the said contract is expected to take place in April 2009.

3. These Shares were held by Ms. Io Choi Leng, spouse of Mr. Yong Wing Tai, William.

2009 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK$0.25 per Share (subject to adjustment) until 6 June 2009.

(ii) Long position in the unlisted 2.5% fixed interest convertible redeemable notes ("CNs") of the Company

Name of Director	Capacity	Amount of CNs HK$	Number of underlying Shares (%) to the issued share capital of the Company
Mr. Chiang Kin Tong	Beneficial owner	23,709,703	160,200,696 (4.01)

Holders of the CNs are entitled to elect to convert the CNs into Shares at the conversion price of HK$0.148 per Share (subject to adjustment) until 27 April 2011.

(iii) Long position in the unlisted 2.5% fixed interest convertible redeemable bonds ("CBs") of the Company

Name of Director	Capacity	Amount of CBs HK$	Number of underlying Shares and (%) to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	65,000,000	216,666,666 (5.43)

Holders of the CBs are entitled to elect to convert the CBs into Shares at the conversion price of HK$0.30 per Share (subject to adjustment) until 23 August 2012.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associate corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 July 2008 (the "Share Option Scheme"). The purposes of the Share Option Scheme are to enable the Group and its Invested Entities (any entity in which any member of the Group holds an equity interest) to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities. Pursuant to the Share Option Scheme, the Board may invite any Eligible Person including any director and employee of the Company to take up options to subscribe for shares of the Company. The Share Option Scheme shall be valid and effective for a period of ten years. No share options were outstanding nor granted during the year ended 31 December 2008.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(A) Long Position in the Ordinary Shares

Name of shareholder	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Chiang Pedro	Beneficial owner *(Note)*	153,640,520	3.85
	Interest of spouse *(Note)*	30,774,000	0.77
Ms. Leong Lai Heng	Beneficial owner *(Note)*	30,774,000	0.77
	Interest of spouse *(Note)*	153,640,520	3.85

Note:

Mr. Chiang Pedro is the spouse of Ms. Leong Lai Heng and each of them is deemed to be interested in Shares held by the other.

(B) Long Position in the Underlying Shares

Name of shareholder	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Chiang Pedro	Beneficial owner *(Note)*	15,978,614	0.40
Ms. Leong Lai Heng	Interest of spouse *(Note)*	15,978,614	0.40

Note:

These underlying Shares are 2009 Warrants. These underlying Shares are held by Mr. Chiang Pedro, spouse of Ms. Leong Lai Heng.

Save as disclosed above, as at 31 December 2008, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Senior Management of the Group are set out on pages 17 to 20 of this annual report.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions as disclosed in Notes 27 and 39 to the financial statements, no other contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

During the year ended 31 December 2008, ACE Channel Limited ("ACE"), a company wholly-owned by Mr. Gao Feng, an executive Director of the Company, provided project management services to Central Bingo Group Limited, a wholly-owned subsidiary of the Company in connection with the development, marketing and sale of a property development project in Shenyang, the PRC for a basic service fee of HK$500,000 per month. However, the management agreement was terminated on 31 October 2008. The total management fee paid to ACE for the period from 1 January 2008 to 31 October 2008 was HK$5,000,000 (2007: HK$1,306,000). The independent non-executive Directors of the Company have reviewed the continuing connected transaction with ACE for the period from 1 January 2008 to 31 October 2008 and confirmed that the said transaction was conducted (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the management agreement on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Except for the details as disclosed above and the related party transactions as disclosed in the financial statements, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in Note 42 to the financial statements.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") presently comprises three independent non-executive Directors. The Audit Committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 December 2008.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to issue of this report, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

AUDITORS

The financial statements were audited by Messrs CCIF CPA Limited. A resolution for their re-appointment as the Company's auditors for the ensuring year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

Law Kar Po
Chairman

Hong Kong, 17 April 2009

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CHINA INFRASTRUCTURE INVESTMENT LIMITED
(FORMERLY KNOWN AS HONESTY TREASURE INTERNATIONAL HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Infrastructure Investment Limited (the "Company") set out on pages 33 to 136, 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 financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 17 April 2009

Betty P.C. Tse
Practising Certificate Number P03024

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	4 & 13	**82,666**	27,876
Direct costs		**(63,227)**	(24,050)
		19,439	3,826
Other revenue	5	**43,322**	3,721
Other net income	5	**5,718**	2,496
Fair value (loss)/gain on investment properties	15	**(21,268)**	9,633
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over the cost of acquisition	36(a)	**–**	5,257
Gain on disposal of subsidiaries	36(b)	**19,068**	–
Selling and distribution costs		**(10,595)**	(2,220)
General and administrative expenses		**(33,076)**	(21,756)
Profit from operations		**22,608**	957
Finance costs	6(a)	**(21,284)**	(22,714)
Share of profits less losses of associates	7		
Share of operating profit		**41,892**	83,799
Fair value (loss)/gain on investment properties		**(180,000)**	40,000
		(138,108)	123,799
(Loss)/profit before taxation	6	**(136,784)**	102,042
Income tax	10	**251**	(9)
(Loss)/profit after income tax from continuing operations		**(136,533)**	102,033
Discontinued operations			
Profit/(loss) from discontinued operations	11	**23,393**	(1,473)
(Loss)/profit for the year		**(113,140)**	100,560

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Attributable to:			
– Equity shareholders of the Company	12 & 34(a)	**(116,091)**	101,973
– Minority interests	34(a)	**2,951**	(1,413)
(Loss)/profit for the year	34(a)	**(113,140)**	100,560
(Loss)/earnings per share (HK cents per share)			
Basic			
For continuing and discontinued operations	14(a)	**(HK 2.91 cents)**	HK 3.23 cents
For continuing operations	14(b)	**(HK 3.50 cents)**	HK 3.28 cents
For discontinued operations	14(c)	**HK 0.59 cents**	(HK 0.05 cents)
Diluted			
For continuing and discontinued operations	14(a)	**(HK 2.91 cents)**	HK 2.76 cents
For continuing operations	14(b)	**(HK 3.50 cents)**	HK 2.81 cents
For discontinued operations	14(c)	**HK 0.59 cents**	(HK 0.05 cents)

The notes on pages 42 to 136 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Investment properties	15	**66,821**	68,520
Property, plant and equipment	16	**5,131**	12,775
Properties under development for rental purposes	17	**548,952**	523,905
Interests in associates	19	**542,626**	730,443
Deposits paid for long-term investment	20	**140,000**	–
		1,303,530	1,335,643
Current assets			
Trading securities	21	**–**	59
Inventories	22	**–**	7,391
Properties under development for sale	23	**758,056**	322,354
Completed properties held for sale	24	**–**	61,889
Trade and other receivables	25	**137,116**	72,119
Cash and cash equivalents	26	**132,635**	102,182
		1,027,807	565,994
Non-current asset held for sale	27	**–**	314,276
Total current assets		**1,027,807**	880,270
Current liabilities			
Trade and other payables	28	**(410,019)**	(537,917)
Interest-bearing borrowings, secured	29	**(331,818)**	(253,375)
		(741,837)	(791,292)
Net current assets		**285,970**	88,978
Total assets less current liabilities		**1,589,500**	1,424,621
Non-current liabilities			
Interest-bearing borrowings, secured	29	**(34,863)**	(21,400)
Convertible notes	30	**(177,977)**	(171,412)
Provision for long service payments	31	**–**	(594)
Deferred tax liabilities	32	**(75,685)**	(75,910)
		(288,525)	(269,316)
NET ASSETS		**1,300,975**	1,155,305

Consolidated Balance Sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
CAPITAL AND RESERVES	34(a)		
Share capital		**199,646**	178,145
Reserves		**920,590**	873,989
Total equity attributable to equity shareholders of the Company		**1,120,236**	1,052,134
Minority interests		**180,739**	103,171
TOTAL EQUITY		**1,300,975**	1,155,305

Approved and authorised for issue by the board of directors on 17 April 2009.

Law Kar Po
Director

Lee Siu Yuk, Eliza
Director

The notes on pages 42 to 136 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	18	**407,134**	230,946
Deposits paid for long-term investment	20	**140,000**	–
		547,134	230,946
Current assets			
Trade and other receivables	25	**539,159**	644,967
Cash and cash equivalents	26	**19,460**	68,912
		558,619	713,879
Current liabilities			
Trade and other payables	28	**(3,760)**	(3,683)
Net current assets		**554,859**	710,196
Total assets less current liabilities		**1,101,993**	941,142
Non-current liabilities			
Convertible notes	30	**(177,977)**	(171,412)
NET ASSETS		**924,016**	769,730
CAPITAL AND RESERVES	34(b)		
Share capital		**199,646**	178,145
Reserves		**724,370**	591,585
TOTAL EQUITY		**924,016**	769,730

Approved and authorised for issue by the board of directors on 17 April 2009.

Law Kar Po
Director

Lee Siu Yuk, Eliza
Director

The notes on pages 42 to 136 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Warrant reserve HK$'000	Exchange reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	141,541	414,398	69	17,119	4,950	(742)	162,593	739,928	273	740,201
Shares issued at a premium on exercise of warrants	13,211	73,417	–	–	–	–	–	86,628	–	86,628
Shares issued at a premium for acquisition of subsidiaries	6,467	44,623	–	–	–	–	–	51,090	–	51,090
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	104,311	104,311
Issue of convertible notes	–	–	–	27,999	–	–	–	27,999	–	27,999
Shares issued at a premium on conversion of convertible notes	16,926	33,175	–	(9,415)	–	–	–	40,686	–	40,686
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	–	3,830	–	3,830	–	3,830
Release of warrant reserve on exercise of unlisted warrants	–	4,950	–	–	(4,950)	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	101,973	101,973	(1,413)	100,560
At 31 December 2007	178,145	570,563	69	35,703	–	3,088	264,566	1,052,134	103,171	1,155,305
At 31 December 2007 and 1 January 2008	178,145	570,563	69	35,703	–	3,088	264,566	1,052,134	103,171	1,155,305
Shares issued at a premium on exercise of warrants	1	1	–	–	–	–	–	2	–	2
Shares issued at a premium by a placement	21,500	151,513	–	–	–	–	–	173,013	–	173,013
Capital injections to a subsidiary by minority interests	–	–	–	–	–	–	–	–	74,617	74,617
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	–	11,178	–	11,178	–	11,178
Loss for the year	–	–	–	–	–	–	(116,091)	(116,091)	2,951	(113,140)
At 31 December 2008	**199,646**	**722,077**	**69**	**35,703**	**–**	**14,266**	**148,475**	**1,120,236**	**180,739**	**1,300,975**

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Warrant reserve HK$'000	Exchange reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Reserves retained by:										
At 31 December 2008										
– Company and subsidiaries	199,646	722,077	69	35,703	–	14,266	(24,383)	947,378	180,739	1,128,117
– Associates	–	–	–	–	–	–	172,858	172,858	–	172,858
	199,646	722,077	69	35,703	–	14,266	148,475	1,120,236	180,739	1,300,975
At 31 December 2007										
– Company and subsidiaries	178,145	570,563	69	35,703	–	3,088	(46,400)	741,168	103,171	844,339
– Associates	–	–	–	–	–	–	310,966	310,966	–	310,966
	178,145	570,563	69	35,703	–	3,088	264,566	1,052,134	103,171	1,155,305

The notes on pages 42 to 136 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss)/profit before taxation			
From continuing operations		**(136,784)**	102,042
From discontinued operations	11	**(3,066)**	(1,473)
		(139,850)	100,569
Adjustments for:			
Depreciation	6(b)	**4,041**	2,342
Impairment loss for bad and doubtful debts	6(b)	**153**	583
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over the cost of acquisition	36(a)	**–**	(5,257)
(Gain)/loss on disposal of property, plant and equipment, net	5 & 6(b)	**(584)**	9
Fair value gain on financial assets at fair value through profit or loss	5	**(32)**	(16)
Interest income	5	**(11,247)**	(3,925)
Finance costs	6(a)	**21,429**	22,785
Share of profits less losses of associates		**138,108**	(123,799)
Gain on disposal of subsidiaries	36(b)	**(19,068)**	–
Reversal of provision for long service payments	5	**(67)**	(340)
Fair value loss/(gain) on investment properties	15	**21,268**	(9,633)
Gain on disposal of investment properties	5	**(515)**	(444)
Reversal of provision for slow moving inventories	5	**(203)**	–
Reversal of impairment loss for bad and doubtful debt	5	**(762)**	(108)
Reversal of rental payable	5	**–**	(1,806)
Operating profit/(loss) before changes in working capital		**12,671**	(19,040)
(Increase)/decrease in inventories		**(1,287)**	357
Decrease/(increase) in completed properties held for sale		**61,889**	(51,682)
Increase in properties under development for sale		**(121,426)**	–
Increase in trade and other receivables		**(79,528)**	(45,156)
Decrease/(increase) in trade and other payables		**87,489**	(64,388)
Cash used in operations		**(40,192)**	(179,909)
Hong Kong profits tax paid		**(17)**	–

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Net cash used in operating activities		**(40,209)**	(179,909)
Investing activities			
Acquisition of subsidiaries, net outflow of cash	36(a)	**–**	(96,520)
Interest received	5	**11,247**	3,925
Dividends received from associates		**49,709**	51,262
Increase in pledged deposits	26	**(96,435)**	–
Net cash inflow upon disposal of subsidiaries	36(b)	**36,798**	–
Net cash outflow upon disposal of discontinued operations	36(c)	**(46)**	–
Payment for the purchase of investment properties	15	**(81,268)**	–
Payment for the purchase of property, plant and equipment	16	**(3,438)**	(1,071)
Payment for development costs of properties under development for rental purposes		**(67,202)**	(95,431)
Deposits paid for long-term investment	20	**(140,000)**	–
Capital injections to a subsidiary by minority interests		**74,617**	–
Proceeds from sale of property, plant and equipment		**648**	–
Proceeds from sale of investment properties		**62,615**	9,091
Net cash used in investing activities		**(152,755)**	(128,744)
Financing activities			
Capital element of finance lease rentals paid		**–**	(13)
Net proceeds from issue of new shares at a premium by a placement		**173,013**	–
Repayment of bank loans		**(65,390)**	(35,870)
Proceeds from issue of new shares on conversion of convertible notes		**–**	40,686
Net proceeds from the issue of new shares on exercise of warrants		**2**	86,628
Proceeds from new bank loans		**201,477**	21,400
Decrease in amount due to minority interests		**(230,416)**	–
(Decrease)/increase in amount due to related companies		**(2,228)**	161,036
Net proceeds from issue of convertible notes		**–**	121,884
Interest element of finance lease rentals paid		**–**	(1)
Proceeds from other loans		**87,003**	–
Other borrowing costs paid		**(36,838)**	(22,784)
Net cash generated from financing activities		**126,623**	372,966
Net (decrease)/increase in cash and cash equivalents		**(66,341)**	64,313
Cash and cash equivalents at 1 January	26	**102,082**	35,395
Effect of foreign rate changes		**359**	2,374
Cash and cash equivalents at 31 December	26	**36,100**	102,082

The notes on pages 42 to 136 form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated and registered in the Cayman Islands on 16 June 1992 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 2 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business are disclosed in the corporate information section of the annual report.

Pursuant to a special resolution duly approved by the shareholders in the extraordinary general meeting held on 11 January 2008, the Company had changed its name from "Honesty Treasure International Holdings Limited 信寶國際控股有限公司" to "China Infrastructure Investment Limited 中國基建投資有限公司" to reflect the change in the business focus of the Group.

The Company (with its subsidiaries is collectively referred to as the "Group") is an investment holding company. Its subsidiaries are principally engaged in investment holding, property development and real estate investment. The Group was also engaged in trading of leather products. This activity was discontinued in the current year as a result of the disposal of former subsidiaries (see note 11).

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments are stated at their fair value as explained in the accounting polices set out below.

Non-current assets held for sale are stated at lower of carrying amount and fair value less costs to sell (note 2(ab)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future accounting periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 43.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and minority interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(l)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of post acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see notes 2(e) and 2(l)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

In the Company's balance sheet, investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(l)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill (Continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(x)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(l)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities (Continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(x)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(x)(iv). When these investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss previously recognised directly in equity is recognised in income statement.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to income statement, except where the derivatives qualify for cash flow hedge accounting or are effective hedges over the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it is held under a finance lease (see note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(k).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Properties under development for rental purposes

Properties under development for rental purposes are stated at cost, less any impairment loss (see note 2(l)). Cost comprises land costs, direct cost of construction, borrowing costs and other direct cost attributable to the development. Properties will be classified as investment properties upon completion.

(j) Other property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(l)).

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates of depreciation are as follows:

Buildings	2 – 33$^{1}/_{3}$% or over the lease term, if shorter
Leasehold improvements	Over the lease term
Office equipment	10 – 20%
Plant and machinery	5 – 20%
Motor vehicles	10 – 20%
Furniture and fixtures	10 – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the cost of which cannot be measured separately from the cost of a building situated thereon at the inception of the lease, which is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term, except where the property is classified as an investment property (see note 2(h)), as a property under development for rental purposes (see note 2(i)), as a property under development for sale (see note 2(n)) or as a completed property held for sale (see note 2(o)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries and associates (see note 2(l)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses on equity securities are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities which are stated at fair value, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

– property, plant and equipment;

– properties under development for rental purposes;

– investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale));

– goodwill; and

– deposits paid for long-term investment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 Interim financial reporting in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see note 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing market conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(o) Completed properties held for sale

Completed properties held for sale remaining unsold at the year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment loss (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained earnings.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

(ii) Termination benefits

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

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences, or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity, or

  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognized as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 2(w)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less, where appropriate, accumulated amortisation, and the amount that would be determined in accordance with note 2(w)(iii). Contingent liabilities that cannot be reliably fair valued are disclosed in accordance with note 2(w)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

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

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(z) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Discontinued operations

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

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

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

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

(ab) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below) are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses arising on initial classification as held for sale and on subsequent remeasurement while held for sale are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ad) Segment reporting

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

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

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

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

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

(Expressed in Hong Kong dollars)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

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

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

4. TURNOVER

The Group is principally engaged in property development, property investments and investment holding. The Group ceased the trading of leather products following the disposal of those subsidiaries in 2008 as set out in note 11.

The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2008	2007
	HK$'000	HK$'000
Continuing operations		
Gross rentals from investment properties	**1,557**	919
Sale of properties held for sale	**81,109**	26,957
	82,666	27,876
Discontinued operations		
Revenue from trading of leather products (note 11)	**27,642**	68,243
	110,308	96,119

5. OTHER REVENUE AND NET INCOME

	2008 HK$'000	2007 HK$'000
Other revenue		
Continuing operations		
Interest income	**11,236**	3,721
Forfeiture of payments and deposits received in respect of the disposal of properties under development for sale (note 27)	**32,000**	–
Others	**86**	–
	43,322	3,721
Discontinued operations		
Interest income	**11**	204
Rentals receivable from operating leases other than those relating to investment properties	**150**	314
Others	**317**	–
	478	518

5. OTHER REVENUE AND NET INCOME (Continued)

	2008 HK$'000	2007 HK$'000
Other net income		
Continuing operations		
Net exchange gains	**5,203**	144
Gain on disposal of investment properties	**515**	444
Reversal of rental payable	**–**	1,806
Others	**–**	102
	5,718	2,496
Discontinued operations		
Net exchange gains	**–**	230
Reversal of impairment losses for bad and doubtful debts	**762**	108
Fair value gain on financial assets at fair value through profit or loss	**32**	16
Reversal of provision for long service payments	**67**	340
Gain on disposal of property, plant and equipment	**610**	–
Reversal of provision for slow moving inventories#	**203**	–
Others	**114**	582
	1,788	1,276

A provision of approximately HK$203,000 (2007: nil) made in prior years against the carrying value of inventories has been reversed. This reversal arose due to an increase in the estimated net realisable value as a result of a change in consumer preferences.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on bank loans and other loans wholly repayable within five years	**31,068**	17,605	**145**	70	**31,213**	17,675
Effective interest expenses of convertible notes	**11,589**	5,073	**–**	–	**11,589**	5,073
Finance charges on obligations under finance leases	**–**	–	**–**	1	**–**	1
Other borrowing costs	**601**	4,769	**–**	–	**601**	4,769
Total borrowing costs	**43,258**	27,447	**145**	71	**43,403**	27,518
Less: borrowing costs* capitalised into properties under development	**(21,974)**	(4,733)	**–**	–	**(21,974)**	(4,733)
	21,284	22,714	**145**	71	**21,429**	22,785

* The borrowing costs have been capitalised at rates ranging from 6% – 8% per annum (2007: 11%).

6. (LOSS)/PROFIT BEFORE TAXATION (Continued)

(b) Other items

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Charging:						
Staff costs (including directors' remuneration)						
– salaries, wages and other benefits	**6,001**	7,173	**5,710**	10,423	**11,711**	17,596
– retirement benefits scheme contributions	**635**	537	**77**	135	**712**	672
Total staff costs	**6,636**	7,710	**5,787**	10,558	**12,423**	18,268
Auditor's remuneration						
– audit services for current year	**1,173**	1,093	**500**	614	**1,673**	1,707
– under-provision in prior years	**–**	–	**250**	220	**250**	220
	1,173	1,093	**750**	834	**1,923**	1,927
– other services	**1,055**	380	**–**	–	**1,055**	380
	2,228	1,473	**750**	834	**2,978**	2,307
Cost of inventories	**63,227**	23,774	**20,874**	48,937	**84,101**	72,711
Depreciation	**3,256**	1,009	**785**	1,333	**4,041**	2,342
Operating lease charges for premises	**952**	–	**1,158**	2,406	**2,110**	2,406
Loss on disposal of property, plant and equipment	**26**	9	**–**	–	**26**	9
Impairment loss for bad and doubtful debts	**153**	583	**–**	–	**153**	583
Crediting:						
Rental receivable from investment properties less direct outgoings of HK$113,000 (2007: HK$343,000)	**(1,444)**	(576)	**–**	–	**(1,444)**	(576)

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Hotel Golden Dragon (Macao) Company Limited

The 40% interest in Hotel Golden Dragon (Macao) Company Limited ("Hotel Golden Dragon") was acquired by the Group in 2005. Pursuant to the Provisional Sale and Purchase Agreement dated 3 January 2005 entered into between the vendors and Pearl Oriental Macau Limited (the "Purchaser", a wholly-owned subsidiary of the Company), the vendors guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation of Hotel Golden Dragon for each of the three years for the period from 5 January 2005 to 4 January 2008, before the payment of bank loan interest, shall not be less than HK$200 million. The guarantee and warrant expired on 4 January 2008.

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	2008 Total HK$'000
Executive directors				
Chiang Kin Tong	–	–	–	–
Choy Wang Kong	–	–	–	–
Gao Feng (Appointed on 14 February 2008)	–	–	–	–
Hoi Man Pak	–	–	–	–
Law Kar Po	–	–	–	–
Law Wing Yee, Wendy	–	–	–	–
Lee Siu Yuk, Eliza	–	1,440	12	1,452
Yong Wing Tai, William	–	–	–	–
Non-executive director				
Alves Leonel Alberto (Resigned on 5 June 2008)	83	–	–	83
Independent non-executive directors				
Li Kam Fai, Dominic	200	–	–	200
Kwok Hong Yee, Jesse	200	–	–	200
Lau Wai Ming	200	–	–	200
	683	1,440	12	2,135

8. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2007 Total HK$'000
Executive directors				
Chiang Pedro (Resigned on 20 April 2007)	–	–	–	–
Chiang Kin Tong (Appointed on 20 April 2007)	–	–	–	–
Choy Wang Kong (Appointed on 20 April 2007)	–	–	–	–
Hoi Man Pak	–	–	–	–
Law Kar Po	–	–	–	–
Law Wing Yee, Wendy	–	–	–	–
Lee Siu Yuk, Eliza	–	1,308	12	1,320
Ung Choi Kun (Resigned on 20 April 2007)	–	–	–	–
Wu Ka I, Miguel (Resigned on 20 April 2007)	–	–	–	–
Yong Wing Tai, William (Appointed on 20 April 2007)	–	–	–	–
Non-executive director				
Alves Leonel Alberto	200	–	–	200
Independent non-executive directors				
Li Kam Fai, Dominic (Appointed on 20 August 2007)	83	–	–	83
Kwok Hong Yee, Jesse	200	–	–	200
Wong King Lam, Joseph (Resigned on 20 August 2007)	117	–	–	117
Lau Wai Ming	200	–	–	200
	800	1,308	12	2,120

During the year, no emoluments (2007: nil) were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the years ended 31 December 2008 and 2007.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest paid emoluments, one (2007: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2007: four) individuals is as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other emoluments	**4,200**	8,246
Retirement scheme contributions	**30**	52
	4,230	8,298

The emoluments of the four (2007: four) individuals with the highest emoluments are within the following bands:

	2008 **Number of individuals**	2007 Number of individuals
HK$3,500,001 to HK$4,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	2
Nil to HK$1,000,000	**3**	–
	4	4

During the year, no emoluments (2007: nil) were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office.

10. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
Provision for the year	**–**	–	**17**	–	**17**	–
Deferred tax						
Original and reversal of temporary differences (note 32)	**(251)**	9	**–**	–	**(251)**	9
	(251)	9	**17**	–	**(234)**	9

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong profits tax was not provided for in the financial statements as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2008 and 2007.

PRC subsidiaries are subject to PRC Enterprises Income Tax at 25% (2007: 33%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on prevailing legislation, interpretations and practice in respect thereof during the year.

For the year ended 31 December 2007, the PRC Enterprises Income Tax was not provided for in the financial statements as PRC subsidiaries did not have any assessable profits.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax of the PRC ("New Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group as at 31 December 2008.

10. INCOME TAX (Continued)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable rates:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit before taxation	**(136,784)**	102,042	**(3,066)**	(1,473)	**(139,850)**	100,569
Notional tax on (loss)/profit before taxation	**(22,569)**	17,858	**(507)**	(258)	**(23,076)**	17,600
Tax effect of non-deductible expenses	**39,704**	1,412	**198**	404	**39,902**	1,816
Tax effect of non-taxable income	**(20,701)**	(24,382)	**(27)**	(90)	**(20,728)**	(24,472)
Tax effect of unused tax losses not recognised	**1,022**	5,657	**590**	–	**1,612**	5,657
Effect of different tax rates of the companies of the Group	**(1,396)**	(524)	**11**	(44)	**(1,385)**	(568)
Temporary differences unrecognised	**3,689**	–	**(293)**	–	**3,396**	–
Others	**–**	(12)	**45**	(12)	**45**	(24)
Actual tax (credit)/expense	**(251)**	9	**17**	–	**(234)**	9

11. DISCONTINUED OPERATIONS

On 22 May 2008, the Company entered into an agreement with Peakway Holdings Limited, the minority shareholder of Pathway International Limited ("Pathway"), for the disposal of the Group's 50% interest in Pathway and for assignment of the shareholder's loan owned by Pathway to the Company for HK$3,000,000. Pathway and its subsidiaries (collectively the "Pathway Group") were engaged in the trading of leather products. Further details of the disposal are set out in the Company's announcement and circular dated 22 May 2008 and 6 June 2008 respectively. Upon completion of the disposal on 3 July 2008, the Group discontinued the business of trading of leather products.

11. DISCONTINUED OPERATIONS (Continued)

The results and cash flows from the discontinued operations are as follows:

	Notes	**2008** **HK$'000**	2007 HK$'000
Turnover	4 & 13	**27,642**	68,243
Cost of sales		**(20,874)**	(48,937)
Gross profit		**6,768**	19,306
Other revenue	5	**478**	518
Other net income	5	**1,788**	1,276
Expenses		**(12,100)**	(22,573)
Loss from discontinued operations		**(3,066)**	(1,473)
Taxation	10(a)	**(17)**	–
Loss after taxation from discontinued operations		**(3,083)**	(1,473)
Profit on disposal of discontinued operations	36(c)	**26,476**	–
Profit/(loss) from discontinued operations recognised in the consolidated income statement		**23,393**	(1,473)
Cash flows from discontinued operations			
Net cash (used in)/generated from operating activities		**(4,851)**	5,007
Net cash generated from/(used in) financing activities		**4,655**	(3,413)
Net cash used in investing activities		**(557)**	(717)
Net cash (outflow)/inflow		**(753)**	877

12. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$18,729,000 (2007: HK$14,750,000) which has been dealt with in the financial statements of the Company.

13. SEGMENT INFORMATION

Business segments

In accordance with the Group's internal financial reporting and management purposes, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

In 2008, the Group is organised into three business segments, namely (i) property development and investment, (ii) investment holding and (iii) trading of leather products. The business of trading of leather products was discontinued in the current year and hence the relevant segment information is presented under discontinued operations.

Segment information about these businesses is presented below.

Year ended 31 December 2008

	Continuing operations					Discontinued operations			Consolidated
	Property development and investment HK$'000	Investment holding HK$'000	Un-allocated HK$'000	Elimination HK$'000	Sub-total HK$'000	Trading of leather products HK$'000	Elimination HK$'000	Sub-total HK$'000	Total HK$'000
Revenue from external customers	82,666	–	–	–	82,666	27,642	–	27,642	110,308
Segment results	59,656	–			59,656	(2,921)		(2,921)	56,735
Unallocated operating income and expenses					(56,116)			–	(56,116)
Gain on disposal of subsidiaries					19,068			–	19,068
Profit/(loss) from operations					22,608			(2,921)	19,687
Finance costs					(21,284)			(145)	(21,429)
Share of profits less losses of associates		(138,108)			(138,108)			–	(138,108)
Loss before taxation					(136,784)			(3,066)	(139,850)
Taxation					251			(17)	234
Gain on disposal of discontinued operations					–			26,476	26,476
(Loss)/profit for the year					(136,533)			23,393	(113,140)
Segment assets	1,561,121	542,626	1,106,381	(878,791)	2,331,337	–	–	–	2,331,337
Segment liabilities	(1,226,034)	–	(646,768)	842,440	(1,030,362)	–	–	–	(1,030,362)
Other segment information									
Capital expenditure	178,908	–	93	–	179,001	3,236	–	3,236	182,237
Depreciation and amortisation	330	–	2,926	–	3,256	785	–	785	4,041

13. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Year ended 31 December 2007

	Continuing operations					Discontinued operations			Consolidated
	Property development and investment HK$'000	Investment holding HK$'000	Un-allocated HK$'000	Elimination HK$'000	Sub-total HK$'000	Trading of leather products HK$'000	Elimination HK$'000	Sub-total HK$'000	Total HK$'000
Revenue from external customers	27,876	–	–	–	27,876	68,243	–	68,243	96,119
Segment results	7,132	–			7,132	(1,402)		(1,402)	5,730
Unallocated operating income and expenses					(11,432)			–	(11,432)
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over the cost of acquisition					5,257			–	5,257
Profit/(loss) from operations					957			(1,402)	(445)
Finance costs					(22,714)			(71)	(22,785)
Share of profits less losses of associates		123,799			123,799			–	123,799
Profit/(loss) before taxation					102,042			(1,473)	100,569
Taxation					(9)			–	(9)
Profit/(loss) for the year					102,033			(1,473)	100,560
Segment assets	1,333,332	730,443	474,546	(350,425)	2,187,896	28,017	–	28,017	2,215,913
Segment liabilities	(1,505,494)	–	(283,592)	808,790	(980,296)	(80,312)	–	(80,312)	(1,060,608)
Other segment information									
Capital expenditure	95,477	–	104	–	95,581	921	–	921	96,502
Depreciation and amortisation	653	–	356	–	1,009	1,333	–	1,333	2,342

13. SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are located in Hong Kong, Macau and other regions in the People's Republic of China ("PRC").

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Continuing operations

	Hong Kong		Macau		Other regions in the PRC		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**761**	–	**81,109**	27,691	**796**	185	**–**	–	**82,666**	27,876
Segment assets	**372,593**	194,060	**858,216**	1,183,775	**1,100,528**	810,061	**–**	–	**2,331,337**	2,187,896
Capital expenditure incurred during the year	**81,361**	104	**–**	646	**97,640**	94,831	**–**	–	**179,001**	95,581

Discontinued operations

	Hong Kong		Macau		Other regions in the PRC		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**14,103**	34,469	**–**	–	**12,598**	32,297	**941**	1,477	**27,642**	68,243
Segment assets	**–**	59	**–**	–	**–**	27,958	**–**	–	**–**	28,017
Capital expenditure incurred during the year	**–**	–	**–**	–	**3,236**	921	**–**	–	**3,236**	921

13. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	Total	
	2008	2007
	HK$'000	HK$'000
Revenue from external customers		
Continuing operations	**82,666**	27,876
Discontinued operations	**27,642**	68,243
	110,308	96,119
Segment assets		
Continuing operations	**2,331,337**	2,187,896
Discontinued operations	**–**	28,017
	2,331,337	2,215,913
Capital expenditure incurred during the year		
Continuing operations	**179,001**	95,581
Discontinued operations	**3,236**	921
	182,237	96,502

14. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

(i) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is as follows:

	2008 HK$'000	2007 HK$'000
(Loss)/profit attributable to equity shareholders of the Company	**(116,091)**	101,973

Weighted average number of ordinary shares

	Number of shares 2008	 2007
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**3,562,915,918**	2,830,825,840
Effect of issue of shares	**420,601,093**	34,727,495
Effect of warrants exercised	**2,913**	128,650,934
Effect of conversion of convertible notes	**–**	158,764,105
Weighted average number of ordinary shares at 31 December	**3,983,519,924**	3,152,968,374

14. (LOSS)/EARNINGS PER SHARE (Continued)

(a) From continuing and discontinued operations (Continued)

(ii) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is as follows:

(Loss)/profit attributable to equity shareholders of the Company (diluted)

	2008 **HK$'000**	2007 HK$'000
(Loss)/profit attributable to equity shareholders of the Company	**(116,091)**	101,973
After tax effect of effective interest on liability component of convertible notes	–	5,073
(Loss)/profit attributable to equity shareholders of the Company (diluted)	**(116,091)**	107,046

No after tax effect of effective interest on liability component of convertible notes was provided for 2008, as the deemed conversion of convertible notes would have anti-dilutive effects on diluted loss per share.

Weighted average number of ordinary shares (diluted)

	Number of shares **2008**	2007
Weighted average number of ordinary shares at 31 December	**3,983,519,924**	3,152,968,374
Effect of deemed exercise of warrants	–	253,888,635
Effect of deemed conversion of convertible notes into the Company's new ordinary shares	–	466,930,120
Weighted average number of ordinary shares (diluted) at 31 December	**3,983,519,924**	3,873,787,129

Diluted loss per share is equal to the basic loss per share for the year ended 31 December 2008 because the exercise of outstanding warrants and conversion of all outstanding convertible notes would have anti-dilutive effects on loss per share.

14. (LOSS)/EARNINGS PER SHARE (Continued)

(b) From continuing operations

(i) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is as follows:

(Loss)/profit attributable to equity shareholders of the Company

	2008	2007
	HK$'000	HK$'000
(Loss)/profit attributable to equity shareholders of the Company from continuing and discontinued operations	**(116,091)**	101,973
Less: Profit/(loss) from discontinued operations	**23,393**	(1,473)
(Loss)/profit attributable to equity shareholders of the Company from continuing operations	**(139,484)**	103,446

Weighted average number of ordinary shares

	Number of shares	
	2008	2007
Weighted average number of ordinary shares (same as weighted average number of ordinary shares for basic (loss)/earnings per share for continuing and discontinued operations)	**3,983,519,924**	3,152,968,374

14. (LOSS)/EARNINGS PER SHARE (Continued)

(b) From continuing operations (Continued)

(ii) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is as follows:

(Loss) /profit attributable to equity shareholders of the Company (diluted)

	2008 HK$'000	2007 HK$'000
(Loss)/profit attributable to equity shareholders of the Company	**(139,484)**	103,446
After tax effect of effective interest on liability component of convertible notes	**–**	5,073
(Loss)/profit attributable to equity shareholders of the Company (diluted)	**(139,484)**	108,519

No after tax effect of effective interest on liability component of convertible notes was provided for 2008, as the deemed conversion of convertible notes would have anti-dilutive effects on diluted loss per share.

Weighted average number of ordinary shares (diluted)

	Number of shares 2008	 2007
Weighted average number of ordinary shares (same as weighted average number of ordinary shares for diluted (loss)/earnings per share for continuing and discontinued operations)	**3,983,519,924**	3,873,787,129

Diluted loss per share is equal to the basic loss per share for the year ended 31 December 2008 because the exercise of outstanding warrants and conversion of all outstanding convertible notes would have anti-dilutive effects on loss per share.

14. (LOSS)/EARNINGS PER SHARE (Continued)

(c) From discontinued operations

(i) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is as follows:

	2008 **HK$'000**	2007 HK$'000
Profit/(loss) attributable to equity shareholders of the Company	**23,393**	(1,473)

Weighted average number of ordinary shares

	Number of shares **2008**	 2007
Weighted average number of ordinary shares (same as weighted average number of ordinary shares for basic (loss)/earnings per share for continuing and discontinued operations)	**3,983,519,924**	3,152,968,374

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share for both of the years ended 31 December 2007 and 2008 because the exercise of all outstanding warrants and conversion of all outstanding convertible notes would have anti-dilutive effects on earnings/(loss) per share.

15. INVESTMENT PROPERTIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Valuation		
At 1 January	**68,520**	61,114
Acquired on acquisition of subsidiaries	**–**	6,203
Exchange alignment	**401**	217
Additions	**81,268**	–
Disposals	**(62,100)**	(8,647)
Fair value (loss)/gain	**(21,268)**	9,633
At 31 December	**66,821**	68,520

(a) Locations and leased terms of investment properties:

	2008	2007
	HK$'000	HK$'000
Properties in Hong Kong held under long-term leases	**60,000**	–
Properties in Macau held under medium-term leases	**–**	62,100
Properties in PRC held under medium-term leases	**6,821**	6,420
	66,821	68,520

(b) At 31 December 2007 and 2008, certain investment properties were pledged as securities for bank loans as detailed in note 41.

(c) The fair value of the Group's investment properties located in Hong Kong at 31 December 2008 was arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuers not connected with the Group having staff holding recognised and relevant professional qualification with recent experiences in the location and category of investment properties being valued. The valuation conforms to international valuation standards and was arrived at by reference to the market evidence of transaction prices for similar properties for the vacant units. The tenanted units were valued on the basis of capitalisation of net income receivable.

All investment properties of the Group located in PRC were revalued as at 31 December 2008 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of DTZ Debenham Tie Leung Limited having staff holding recognised and relevant professional qualification with recent experiences in the location and category of property being valued.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At Cost							
At 1 January 2007	12,741	2,892	2,929	9,007	3,339	1,243	32,151
Additions	–	255	291	–	399	126	1,071
Acquired on acquisition of subsidiaries	6,228	–	352	–	745	121	7,446
Disposals	–	–	(9)	–	–	–	(9)
At 31 December 2007 and 1 January 2008	18,969	3,147	3,563	9,007	4,483	1,490	40,659
Additions	–	40	175	–	3,206	17	3,438
Disposal of subsidiaries	(13,713)	(2,936)	(2,564)	(9,588)	(5,655)	(1,047)	(35,503)
Disposals	–	–	(89)	–	(1,743)	(13)	(1,845)
Exchange alignment	1,361	–	33	581	1,063	14	3,052
At 31 December 2008	6,617	251	1,118	–	1,354	461	9,801
Accumulated depreciation and impairment							
At 1 January 2007	9,853	2,679	2,535	7,910	2,142	1,076	26,195
Charge for the year	1,364	87	244	–	559	88	2,342
Exchange alignment	(474)	128	(122)	(250)	181	(116)	(653)
At 31 December 2007 and 1 January 2008	10,743	2,894	2,657	7,660	2,882	1,048	27,884
Charge for the year	3,037	38	303	–	571	92	4,041
Disposal of subsidiaries	(11,664)	(2,704)	(2,280)	(8,153)	(2,139)	(907)	(27,847)
Disposals	–	–	(70)	–	(1,705)	(6)	(1,781)
Exchange alignment	852	–	8	493	1,016	4	2,373
At 31 December 2008	2,968	228	618	–	625	231	4,670
Carrying amount							
At 31 December 2008	3,649	23	500	–	729	230	5,131
At 31 December 2007	8,226	253	906	1,347	1,601	442	12,775

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying amount of buildings is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Outside Hong Kong held under medium-term leases	**3,649**	8,226

17. PROPERTIES UNDER DEVELOPMENT FOR RENTAL PURPOSES

		The Group	
		2008	2007
	Note	**HK$'000**	HK$'000
At 1 January		**523,905**	389,267
Acquired on acquisition of subsidiaries		**–**	350,465
Exchange alignment		**11,507**	3,018
Change in construction cost estimation of prior year		**(8,355)**	–
Development costs and other incidental expenses capitalised during the year	(c)	**97,531**	95,431
Eliminated on disposal of subsidiaries		**(75,636)**	–
Reclassified as held for sale		**–**	(314,276)
At 31 December		**548,952**	523,905

(a) Since 2007, the Group invested in a property development project. Upon the completion of development, certain of properties under development will be classified as investment properties for generating rental income.

(b) At 31 December 2008, certain properties under development for rental purposes were pledged as securities for bank loans as detailed in note 41.

(c) During the year, interest capitalised as cost of properties under development for rental purposes amounted to HK$21,974,000 (2007: HK$4,733,000).

17. PROPERTIES UNDER DEVELOPMENT FOR RENTAL PURPOSES (Continued)

(d) The lease terms of land element of properties under development for rental purposes shown above are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Properties in Macau held – under long-term lease	**–**	69,400
Properties in PRC held – under medium-term lease	**315,569**	297,000

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**150,548**	150,548
Less: Impairment loss	**(2,100)**	(2,100)
	148,448	148,448
Loans to subsidiaries	**258,686**	82,498
	407,134	230,946

(a) Since 2006, Star Palace Enterprises Limited ceased to conduct the shoes and bag retail business and remained dormant after the disposal of its retail business. In 2006, the management of the Group assessed the recoverable amounts of the investments in subsidiaries based on past performance, management's expectations for the market development and certain key assumptions. Based on this assessment, the carrying amounts of the investments in subsidiaries were written down by HK$2,100,000. In 2007 and 2008, the management of the Group re-assessed the recoverable amounts of the investments in subsidiaries on similar basis and concluded that no further impairment loss was required for the year.

(b) The loans to subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group		Principal activities
			Directly	Indirectly	
Star Palace Enterprises Limited	Hong Kong	3,000,000 shares of HK$1 each	70%	–	Inactive
Pearl Oriental Macau Limited	Hong Kong	1 share of HK$1	100%	–	Investment holding
Canasta Overseas Group Limited	British Virgin Islands ("BVI")	1 share of US$1	100%	–	Inactive
Prospect Sync Holdings Limited	BVI	1 share of US$1	100%	–	Investment holding
China Chen Holdings Limited	Hong Kong	1 share of HK$1	100%	–	Inactive
Honesty Services Limited	Hong Kong	1 share of HK$1	100%	–	Holding of motor vehicle
Honesty Treasure Limited	Hong Kong	2 shares of HK$1 each	50%	50%	Provision of management services
Honesty Treasure Management Limited	Macau	Registered capital MOP25,000	4%	96%	Inactive
Fast Action Developments Limited	BVI	1 share of US$1	100%	–	Investment holding
Continental Ocean Investment and Development Company Limited	Macau	Registered capital MOP200,000	–	55%	Property development

(Expressed in Hong Kong dollars)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) (Continued)

Name of company	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Group		Principal activities
			Directly	Indirectly	
Super Times Far East Limited	BVI	1 share of US$1	100%	–	Investment holding
Ampleline Holdings Limited	BVI	1 share of US$1	100%	–	Inactive
Patient Holdings Limited	BVI	1 share of US$1	100%	–	Property holding
Central Bingo Group Limited	BVI	1 share of US$1	100%	–	Investment holding
China Infrastructure Limited	Hong Kong	1 share of HK$1	–	100%	Investment holding
Pan-China (Shenyang) Real Estate Development Limited (note (i) and note (ii))	PRC	Issued and paid up capital US$40,272,050	–	70%	Property development
Shenyang Pan-China Property Management Limited (note (i) and note (iii))	PRC	Issued and paid up capital RMB2,000,000	–	70%	Provision of property management services

Notes:

(i) Companies not audited by CCIF CPA Limited.

(ii) Registered under the laws of the PRC as sino-foreign equity joint venture enterprise.

(iii) Registered under the laws of the PRC as domestic enterprise.

19. INTERESTS IN ASSOCIATES

	The Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets, net of dividends received	**542,626**	730,443

The following list contains only the particulars of associates, both of which are unlisted corporate entities, which principally affected the results and net assets of the Group:

				Proportion of ownership interest			
Name of company	Form of business structure	Place of incorporation/ registration and operation	Particulars of issued and paid up capital	Group's effective interest	Held by subsidiary	Held by associate	Principal activities
Hotel Golden Dragon (Macao) Company Limited#	Incorporated	Macau	Registered capital MOP1,000,000	40%	40%	–	Operation of hotel
Sunny Tourist & Entertainment Company Limited#	Incorporated	Macau	Registered capital MOP100,000	24%	–	60%	Provision for tourism, related services and casino business

Companies not audited by CCIF CPA Limited

19. INTERESTS IN ASSOCIATES (Continued)

The key consolidated financial information of the associates is as follows:

	2008 HK$'000	2007 HK$'000
Non-current assets	**1,533,253**	2,003,725
Current assets	**290,429**	316,828
Non-current liabilities	**(287,931)**	(326,332)
Current liabilities	**(84,355)**	(75,421)
Equity	**1,451,396**	1,918,800
Revenues	**393,629**	476,838
(Loss)/profit*	**(345,269)**	309,498

* Including a fair value loss on investment properties amounting to approximately HK$450 million for the year ended 31 December 2008 (2007: fair value gain of HK$100 million).

20. DEPOSITS PAID FOR LONG-TERM INVESTMENT

On 13 June 2008, the Company entered into an agreement (the "Agreement") with an independent third party to purchase the entire issued share capital of Finest Gain Investments Limited ("Finest Gain"), an investment holding company incorporated in the British Virgin Islands for HK$200,000,000. Finest Gain does not have any other business, assets and liabilities except for an indirect investment in 100% equity interest in Yan Cheng Feng Ji New Energy Limited, a company incorporated in the PRC which, upon completion of its electricity generation plant, will be engaged in the production and supply of electricity and heat by recycling of agricultural wastes. As at 31 December 2008, the electricity generation plant was still under construction.

According to the Agreement, the HK$200,000,000 consideration is payable in parts at different stages and the last part, which is HK$60,000,000, is payable when certain precedent conditions are completed satisfactorily. The Agreement and its supplemental agreements extended the completion date to 31 March 2009. As at 31 December 2008, a total of HK$140,000,000 was paid in accordance with the terms of the Agreement.

As at the date of approval of this report, the original completion date of the Agreement was over and the aforesaid precedent conditions of the Agreement have not been completed. For the sake of concluding the transaction, the parties to the Agreement are re-negotiating the terms of the Agreement and including postponing the completion date.

21. TRADING SECURITIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at market value	–	59

22. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	–	282
Work in progress	–	81
Finished goods and merchandise	–	7,028
	–	7,391

As at 31 December 2007, the amounts of inventories included above carried at net realizable value were HK$6,908,000.

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

	The Group	
	2008	2007
	HK$'000	HK$'000
Properties under development for sale expected to be completed within normal operating cycle included under current assets	**758,056**	322,354

(a) The properties under development for sale are located in the PRC and Macau.

(b) At 31 December 2007 and 2008, none of properties under development for sale were carried at net realizable value.

23. PROPERTIES UNDER DEVELOPMENT FOR SALE (Continued)

(c) At 31 December 2007 and 2008, certain properties under development for sale were pledged as securities for bank loans as detailed in note 41.

(d) The lease terms of land element of properties under development for sale shown above are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Properties in Macau held		
– under long-term lease	**300,000**	–
Properties in PRC held		
– under medium-term lease	**93,033**	89,112

24. COMPLETED PROPERTIES HELD FOR SALE

	The Group	
	2008	2007
	HK$'000	HK$'000
Completed properties held for sale, at cost	**–**	61,889

The completed properties held for sale were located in Macau.

At 31 December 2007, completed properties held for sale were pledged as securities for bank loans as detailed in note 41.

25. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade debtors	(a)	**153**	85,990	**–**	–
Less: Impairment losses for bad and doubtful debts		**(153)**	(79,924)	**–**	–
		–	6,066	**–**	–
Due from subsidiaries	(b)	**–**	–	**450,401**	590,937
Due from related companies		**642**	856	**–**	–
Due from a minority interest		**41,562**	896	**–**	–
Loan receivables	(c)	**79,583**	53,558	**79,583**	53,500
Prepayments, deposits and other receivables	(d)	**15,329**	10,743	**9,175**	530
		137,116	72,119	**539,159**	644,967

(a) Included in trade receivables are trade debtors (net of impairment losses for bad and doubtful debts of HK$153,000 (2007: HK$79,924,000)) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**–**	5,717
Less than 1 month past due	**–**	196
1 to 3 months past due	**–**	153
	–	349
	–	6,066

The general credit terms of the Group range from 30 to 60 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness of the customers, extend the credit period upon customers' request.

25. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

The movement in the allowance account for the bad and doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**79,924**	79,449
Impairment losses	**153**	583
Reversal of impairment losses	**(762)**	(108)
Disposal of subsidiaries	**(79,162)**	–
At 31 December	**153**	79,924

Impairment losses for certain bad and doubtful debts of approximately HK$762,000 (2007: HK$108,000) made in previous years were reversed. The reversal arose because the debts were subsequently recovered. For the year ended 31 December 2008, the Group's trade debtors of HK$153,000 (2007: HK$583,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables was expected to be recovered. The Group did not hold any collateral over these balances.

Subsequent to the disposal of Pathway Group in 2008, the Group discontinued the trading of leather products business. Therefore, the impairment losses of approximately HK$79,162,000 made for bad and doubtful debts of Pathway Group in previous years were reversed in the current year.

(b) An analysis of the amounts due from subsidiaries is listed below:

	The Company	
	2008	2007
	HK$'000	HK$'000
Due from subsidiaries	**562,496**	705,226
Less: Impairment	**(112,095)**	(114,289)
	450,401	590,937

The amounts are unsecured and have no fixed terms of repayment.

Subsequent to the disposal of Pathway Group in 2008, the Group discontinued the trading of leather products business. Therefore, the impairment of approximately HK$31,192,000 made in previous years in respect of amount due from Pathway was reversed in the current year.

25. TRADE AND OTHER RECEIVABLES (Continued)

(b) (Continued)

In 2008, the management of the Group assessed the recoverable amounts of the amount due from subsidiaries after considering profitability, cash flow position, financial position, forecast business development and future prospects of the subsidiaries. Based on this assessment, an impairment loss of approximately HK$28,998,000 (2007: HK$4,669,000) was recognised during the year. The recoverable amounts are based on the evaluation of collectibility, ageing analysis and management's judgment.

(c) The loan receivables of HK$79,583,000 (2007: HK$53,558,000) due from an independent third party were made pursuant to two loan agreements dated 27 December 2007 and 12 March 2008 respectively.

The loans are secured by the corporate guarantee of Pan China Construction Group Limited, a minority interest shareholder of Pan-China (Shenyang) Real Estate Development Limited ("Pan-China"), and are repayable within 1 year and bear interest at 8% per annum.

(d) Except for utility deposits, all trade and other receivables are expected to be recovered within one year.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents in the balance sheet	**132,635**	102,182	**19,460**	68,912
Less: pledged deposits	**(96,535)**	(100)		
Cash and cash equivalents in the consolidated cash flow statement	**36,100**	102,082		

27. NON-CURRENT ASSET HELD FOR SALE

On 16 April 2008, Continental Ocean Investment and Development Company Limited ("CIDCOL"), which was 55% owned by the Company while the remaining 45% was owned by the Directors, ex-directors and an associate of an ex-director of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its property under development for a consideration of HK$530,000,000. The directors of the Company considered that the disposal could reduce the Group's bank borrowings and further enhance the liquidity of the Group. The completion date for the transaction was 75 days from the date of the sale and purchase agreement. At the request of the purchaser and by three supplemental agreements, the aforesaid completion date was extended to 15 December 2008. (Notwithstanding the extension, the purchaser was unable to complete the transaction in time, on 22 December 2008. CIDCOL unilaterally terminated the disposal and all previous payments made by the purchaser totalling HK$32,000,000 were forfeited and recognised in the consolidated income statement pursuant to the sale and purchase agreement) (see note 5).

The Group planned to carry out the development of the subject property. Accordingly, the subject property, which has been pledged to secure general banking facilities granted to CIDCOL as detailed in note 41, is reclassified as properties under development for sale in note 23.

28. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade creditors	(a)	**32,081**	7,118	**–**	–
Accruals and other payables		**21,230**	49,393	**2,194**	2,152
Advanced proceeds received from customers		**72,553**	71	**–**	–
Due to minority interests	(b)	**195,348**	477,303	**–**	–
Due to related companies	(c)	**273**	2,501	**–**	–
Other loans	(d)	**88,534**	1,531	**1,566**	1,531
		410,019	537,917	**3,760**	3,683

28. TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis of trade creditors is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Due within 30 days or on demand	**–**	3,752
Due within 31 to 60 days	**–**	390
Due within 61 – 90 days	**–**	50
Due over 90 days	**32,081**	2,926
	32,081	7,118

(b) The amounts due to minority interests amounting to HK$119,191,000 (2007: HK$302,386,000) were unsecured, non-interest-bearing and have no fixed terms of repayment. Out of this balance, a total sum of HK$69,248,000 (2007: HK$80,737,000) was due to the following parties:

	The Group	
	2008	2007
	HK$'000	HK$'000
Mr. Choy Wang Kong ("Mr. Choy")	**6,664**	7,834
Mr. Pedro Chiang ("Mr. Chiang")	**26,654**	31,334
Mr. Law Kar Po ("Mr. Law")	**17,965**	20,784
Mr. Hoi Man Pak ("Mr. Hoi")	**9,995**	11,751
Mr. Wu Ka I, Miguel ("Mr. Wu")	**3,332**	3,917
Ms. Law Wing Yee, Wendy ("Ms. Law")	**1,306**	1,200
Ms. Leong Lai Heng ("Ms. Leong")	**3,332**	3,917
	69,248	80,737

At 31 December 2007 and 2008, Mr. Choy, Mr. Law, Mr. Hoi and Ms. Law were directors of the Company while Mr. Chiang, Mr. Wu and Ms. Leong were shareholders of a subsidiary of the Company.

At 31 December 2008, out of the total amount of HK$195,348,000 (2007: HK$477,303,000), an amount of HK$76,157,000 (2007: HK$174,917,000) was unsecured, bearing interest at 8% (2007: 11%) per annum, repayable within three months, and was due to Pan-China Construction Group Limited.

28. TRADE AND OTHER PAYABLES (Continued)

(c) The amounts were unsecured, non-interest bearing and repayable on demand.

(d) At 31 December 2007 and 2008, other loans of the Group and the Company were due to independent third parties and unsecured. Out of the total amount, other loans of HK$1,566,000 (2007: HK$1,531,000) due by the Group and the Company bear interest at 2.5% per annum and repayable on demand while the remaining loans bear interest at about 8% per annum and repayable within 1 year.

29. INTEREST-BEARING BORROWINGS, SECURED

At 31 December 2008, the Group's borrowings were carried at amortised cost and repayable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year or on demand	**331,818**	253,375
After 1 year but within 2 years	**2,550**	21,400
After 2 years but within 5 years	**7,651**	–
More than 5 years	**24,662**	–
	34,863	21,400
	366,681	274,775

At 31 December 2008, the bank loans were secured as follows:

	Effective Interest rate	**2008 HK$'000**	Effective Interest rate	2007 HK$'000
Bank loans				
– Secured	**1.45%-8.32%**	**366,681**	5.20%-8.32%	274,775

(a) At 31 December 2008, bank loans of the Group amounting to HK$102,321,000 (2007: HK$21,400,000) were secured by the land use rights of properties under development for rental purposes, properties under development held for sale and investment properties with a total carrying value of HK$150,789,741 (2007: HK$143,470,000) and a deposit in the amount of HK$36,534,663 (2007: nil).

29. INTEREST-BEARING BORROWINGS, SECURED (Continued)

(b) At 31 December 2008, other bank loans of the Group amounting to HK$56,845,000 (2007: nil) was secured by a deposit of HK$60,000,000 (2007: nil) placed by a wholly-owned subsidiary as well as the corporate guarantee issued by the Company.

(c) At 31 December 2008, other bank loans of the Group amounting to HK$150,000,000 (2007: HK$150,000,000) were secured by the properties under development for sale of the Group with a carrying amount of HK$315,062,782 (2007: HK$314,276,000 included in non-current asset held for sale) at the balance sheet date and the personal guarantee of minority shareholders, Mr. Hoi Man Pak, Mr. Wu Ka I, Miguel, Mr. Choy Wang Kong and Mr. Law Kar Po, for the amounts of HK$45,000,000, HK$7,500,000, HK$37,500,000 and HK$60,000,000 respectively.

(d) At 31 December 2008, other bank loans of the Group amounting to HK$57,515,000 (2007: nil) was secured by the investment properties of the Group with a carrying value of HK$60,000,000 (2007: nil) as well as the corporate guarantee to the extent of HK$58,000,000 issued by the Company. Out of total amount of HK$57,515,000, approximately HK$37,515,000 is repayable by instalments over 15 years.

(e) At 31 December 2007, bank loans of the Group amounting to HK$37,400,000 were secured by the properties under development for sale of the Group with a carrying amount at 31 December 2007 of HK$75,635,000. In addition of the properties under development for sale, a total of HK$37,400,000 was guaranteed by Mr. Pedro Chiang ("Mr. Chiang"), Mr. Wu Ka I, Miguel ("Mr. Wu"), Mr. Ung Kin Kuok ("Mr. Ung") and Ms. Hoi Wa Fan ("Ms. Hoi"), for amounts of HK$11,270,000, HK$11,270,000, HK$8,400,000 and HK$13,260,000 respectively. Mr. Chiang and Mr. Wu are ex-Directors of the Company. Mr. Ung and Ms. Hoi have beneficial interest in a former subsidiary of the Company. The respective loans were taken up by the purchaser of the disposal and therefore derecognised upon the completion of the disposal of Parsinno on 18 July 2008 (note 36(b)).

(f) At 31 December 2007, other bank loans of the Group amounting to HK$65,390,000 were secured by (i) the completed properties held for sale of the Group with a carrying amount of HK$61,889,000 at 31 December 2007, (ii) the investment properties of the Group with a carrying amount of HK$62,100,000 at 31 December 2007, and (iii) corporate guarantee to the extent of HK$97,860,000 put up by the Company. The respective loans were settled during the year ended 31 December 2008.

(g) At 31 December 2007, other bank loans of the Group amounting to HK$584,750 were secured by (i) certain properties held by a related company of a subsidiary of the Company and (ii) personal guarantee to the extent of HK$100 million executed by a director of a subsidiary of the Company. The respective loans were derecognised upon the completion of the disposal of Pathway Group on 3 July 2008 (note 11).

30. CONVERTIBLE NOTES

The Group and the Company

On 28 April 2006, the Company issued HK$91,094,000 convertible notes (2011 convertible notes) redeemable within 5 years from the date of issue. The notes bear interest at 2.5% per annum and are unsecured. The holders of the notes have the right at any time after the issue of the notes to convert any outstanding amount of the notes into the shares of the Company at the conversion price of HK$0.148 per share (subject to adjustment) until 27 April 2011. Further details are set out in the Company's circular dated 22 March 2006.

The convertible notes contain two components, namely, a liability component and an equity component. The equity element is presented in equity under the heading "convertible notes – equity reserves". The effective interest rate of the liability component is 7.094%.

On 24 August 2007, the Company further issued HK$160,000,000 convertible notes (2012 convertible notes) redeemable within 5 years from the date of issue. The notes bear interest at 2.5% per annum and are unsecured. The holders of the notes have the right at any time after the issue of the notes to convert any outstanding amount of the notes into the shares of the Company at the conversion price of HK$0.3 per share (subject to adjustment) until 23 August 2012. Further details are set out in the Company's circular dated 10 July 2007.

The convertible notes contain two components, namely, a liability component and an equity component. The equity element is presented in equity under the heading "convertible notes – equity reserves". The effective interest rate of the liability component is 6.738%.

The movement of the liability component of the convertible notes for the year is set out below:

	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January 2008/issue date	**171,412**	209,528
Interest charged	**11,589**	5,073
Interest paid	**(5,024)**	(2,503)
Conversion during the year	**–**	(40,686)
Carrying amount at 31 December	**177,977**	171,412

31. PROVISION FOR LONG SERVICE PAYMENTS

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**594**	934
Reversal of provision	**(67)**	(340)
Disposal of subsidiaries	**(527)**	–
At 31 December	**–**	594

32. DEFERRED INCOME TAX – GROUP

The net movement on the deferred income tax account is as follow:

	2008	2007
	HK$'000	HK$'000
At 1 January	**75,910**	–
(Credited)/charged to consolidated income statement (note 10(a))	**(251)**	9
Exchange alignment	**26**	13
Acquisition of subsidiaries (note 36(a))	**–**	75,888
At 31 December	**75,685**	75,910

The movements in deferred tax liabilities during the year were as follows:

32. DEFERRED INCOME TAX – GROUP (Continued)

Deferred income tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Arising from temporary differences on investment properties located in PRC	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2007	–	–	–
Charged to the consolidated income statement	–	9	9
Arising from acquisition of subsidiaries (note 36(a))	75,888	–	75,888
Exchange alignment	13	–	13
At 31 December 2007 and 1 January 2008	75,901	9	75,910
Credited to the consolidated income statement	(242)	(9)	(251)
Exchange alignment	26	–	26
At 31 December 2008	75,685	–	75,685

33. EMPLOYEE RETIREMENT BENEFITS

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

(b) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at a rate ranging from 5% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees which are calculated based on a certain percentage of the basic payroll.

34. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Warrant reserve HK$'000	Exchange reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	141,541	414,398	69	17,119	4,950	(742)	162,593	739,928	273	740,201
Shares issued at a premium on exercise of warrants	13,211	73,417	–	–	–	–	–	86,628	–	86,628
Shares issued at a premium for acquisition of subsidiaries	6,467	44,623	–	–	–	–	–	51,090	–	51,090
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	104,311	104,311
Issue of convertible notes	–	–	–	27,999	–	–	–	27,999	–	27,999
Shares issued at a premium on conversion of convertible notes	16,926	33,175	–	(9,415)	–	–	–	40,686	–	40,686
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	–	3,830	–	3,830	–	3,830
Release of warrant reserve on exercise of unlisted warrants	–	4,950	–	–	(4,950)	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	101,973	101,973	(1,413)	100,560
At 31 December 2007	178,145	570,563	69	35,703	–	3,088	264,566	1,052,134	103,171	1,155,305
At 31 December 2007 and 1 January 2008	178,145	570,563	69	35,703	–	3,088	264,566	1,052,134	103,171	1,155,305
Shares issued at a premium on exercise of warrants	1	1	–	–	–	–	–	2	–	2
Share issued at a premium by a placement	21,500	151,513	–	–	–	–	–	173,013	–	173,013
Capital injections to a subsidiary by minority interests	–	–	–	–	–	–	–	–	74,617	74,617
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	–	11,178	–	11,178	–	11,178
Loss for the year	–	–	–	–	–	–	(116,091)	(116,091)	2,951	(113,140)
At 31 December 2008	199,646	722,077	69	35,703	–	14,266	148,475	1,120,236	180,739	1,300,975
Reserves retained by:										
At 31 December 2008										
– Company and subsidiaries	199,646	722,077	69	35,703	–	14,266	(24,383)	947,378	180,739	1,128,117
– Associates	–	–	–	–	–	–	172,858	172,858	–	172,858
	199,646	722,077	69	35,703	–	14,266	148,475	1,120,236	180,739	1,300,975
At 31 December 2007										
– Company and subsidiaries	178,145	570,563	69	35,703	–	3,088	(46,400)	741,168	103,171	844,339
– Associates	–	–	–	–	–	–	310,966	310,966	–	310,966
	178,145	570,563	69	35,703	–	3,088	264,566	1,052,134	103,171	1,155,305

34. CAPITAL AND RESERVES (Continued)

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	141,541	414,398	69	17,119	4,950	–	578,077
Shares issued at a premium on conversion of convertible notes	16,926	33,175	–	(9,415)	–	–	40,686
Shares issued at a premium for acquisition of a subsidiary	6,467	44,623	–	–	–	–	51,090
Shares issued at a premium on exercise of warrants	13,211	73,417	–	–	–	–	86,628
Issue of convertible notes	–	–	–	27,999	–	–	27,999
Release of warrant reserve on exercise of unlisted warrants	–	4,950	–	–	(4,950)	–	–
Loss for the year	–	–	–	–	–	(14,750)	(14,750)
At 31 December 2007 and 1 January 2008	178,145	570,563	69	35,703	–	(14,750)	769,730
Shares issued at a premium on exercise of warrants	1	1	–	–	–	–	2
Shares issued at a premium by a placement	21,500	151,513	–	–	–	–	173,013
Loss for the year	–	–	–	–	–	(18,729)	(18,729)
At 31 December 2008	199,646	722,077	69	35,703	–	(33,479)	924,016

34. CAPITAL AND RESERVES (Continued)

(c) Share capital

		2008		2007	
	Notes	**Number of shares '000**	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:					
Ordinary shares of HK$0.05 each	(i)	**10,000,000**	**500,000**	5,000,000	250,000
Ordinary shares, issued and fully paid:					
At 1 January		**3,562,916**	**178,145**	2,830,826	141,541
Issue of shares by a placement	(ii)	**430,000**	**21,500**	–	–
Issue of new shares for acquisition of subsidiaries	(iii)	**–**	**–**	129,342	6,467
Issue of shares on conversion of convertible notes	(iv)	**–**	**–**	338,522	16,926
Shares issued upon exercise of warrants	(v)	**5**	**1**	264,226	13,211
At 31 December		**3,992,921**	**199,646**	3,562,916	178,145

Notes:

(i) As announced by the Company on 14 January 2008, the authorised share capital of the Company was increased from HK$250,000,000 divided into 5,000,000,000 shares to HK$500,000,000 divided into 10,000,000,000 shares. All new shares rank pari passu with the then existing shares.

(ii) As announced on 20 December 2007, 430,000,000 new shares of HK$0.05 each in the capital of the Company were issued by a placement at HK$0.41 per placing share. The placement was completed on 9 January 2008. The new shares issued rank pari passu with the then existing shares.

(iii) On 25 September 2007, the Group acquired the entire equity interest of Central Bingo Group Limited (the "acquisition"). The purchase consideration of the acquisition was settled by the issue of 129,342,202 ordinary shares of the Company (For details of the acquisition, please refer to note 36(a)).

(iv) During the year ended 31 December 2007, the holders of 2011 convertible notes converted certain notes into 338,522,000 ordinary shares at a conversion price of HK$0.148 per share.

(Expressed in Hong Kong dollars)

34. CAPITAL AND RESERVES (Continued)

(c) Share capital (Continued)

Notes: (Continued)

(v) During the year ended 31 December 2007, new shares were issued upon the exercise of certain 2009 Warrants into 32,198,596 and 7,027,280 new shares of HK$0.05 each at a price of HK$0.26 and HK$0.25 per share respectively. In addition, new shares were issued upon conversion of the outstanding 2007 Warrants into 225,000,000 new shares of HK$0.05 each at a price of HK$0.34 per share.

During the year ended 31 December 2008, new shares were issued upon the conversion of certain 2009 Warrants into 5,200 new shares of HK$0.05 each at a price of HK$0.25 per share.

(vi) Warrants

Movements in warrants:

	Date of issue	At 1/1/2007	Adjustment arising from adjusted exercise prices	Exercised during the year	At 1/1/2008	Exercised during the year	At 31/12/2008
2007 Warrants	21/7/2005	225,000,000	–	(225,000,000)	**–**	–	**–**
2009 Warrants	7/6/2006	283,079,284	10,035,227	(39,225,876)	**253,888,635**	(5,200)	**253,883,435**

Terms of unexpired and unexercised warrants at the balance sheet date:

	Date of issue	Exercisable period	Number of Warrants 2008	2007
2009 Warrants	7/6/2006	7/6/2006 – 6/6/2009	**253,883,435**	253,888,635

34. CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves

(i) Share premium represents the excess of share issue consideration received over the par value of shares issued.

(ii) Capital redemption reserve represents the nominal value of shares repurchased out of distributable profits.

(iii) Convertible note equity reserve represents the value of the non-exercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes set out in note 2(q).

(iv) Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

(v) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(y).

(vi) The Company's reserves available for distribution represent the share premium and retained earnings/(accumulated losses). Under the Companies Law of the Cayman Islands, share premium of the Company is available for the Company's distributions to shareholders subject to the provisions of the Company's Memorandum or Articles of Associations and provided that immediately following the distribution the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2008, the aggregate value of the share premium and accumulated losses of the Company available for distribution is HK$688,598,000 (2007: HK$555,813,000).

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes borrowings and convertible notes), cash and cash equivalents and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves, retained earnings of the Group and accumulated losses of the Company.

34. CAPITAL AND RESERVES (Continued)

(e) Capital management (Continued)

The net debt-to-capital ratio at 31 December 2008 and 2007 was as follows:

		The Group		The Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current liabilities:					
Trade and other payables	28	**410,019**	537,917	**3,760**	3,683
Interest-bearing borrowings, secured	29	**331,818**	253,375	**–**	–
		741,837	791,292	**3,760**	3,683
Non-current liabilities:					
Interest-bearing borrowings, secured	29	**34,863**	21,400	**–**	–
Convertible notes	30	**177,977**	171,412	**177,977**	171,412
Total debt		**954,677**	984,104	**181,737**	175,095
Less: Cash and cash equivalents	26	**(132,635)**	(102,182)	**(19,460)**	(68,912)
Net debt		**822,042**	881,922	**162,277**	106,183
Capital	(a)	**1,120,236**	1,052,134	**924,016**	769,730
Net debt-to-capital ratio		**73.4%**	83.8%	**17.6%**	13.8%

Note:

(a) Capital includes all share capital and reserves of the Group and the Company.

35. DEFERRED TAXATION NOT RECOGNISED

At the balance sheet date and for the year, the Group has not recognised deferred tax asset in respect of tax losses of approximately HK$8 million (2007: HK$132 million) as the tax effect of recognising the deferred tax asset was immaterial.

Tax losses arising in the PRC of approximately HK$8 million (2007: HK$14 million) can be used to offset against future taxable profits of the companies in which the losses arose within a maximum period of 5 years. The tax losses of approximately HK$118 million as at 31 December 2007 arising in Hong Kong have no expiry date under current tax legislation. No deferred tax asset has been recognised in this regard due to the aforesaid tax loss relating to the discontinued operations.

The Group and the Company had no other significant unprovided deferred tax liabilities not recognised for the year and at the balance sheet date.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 25 September 2007, the Group acquired the entire issued capital of Central Bingo Group Limited ("CBGL") from an independent third party. CBGL is a company incorporated in BVI. CBGL's sole asset is the 100% equity interest in China Infrastructure Limited ("CIL") and the major asset of CIL is a development site located in Shenyang, PRC. The consideration of the acquisition was approximately HK$148 million and was satisfied by cash of HK$97,357,000 and the issue of 129,342,202 ordinary shares of the Company on 25 September 2007.

In the opinion of the directors of the Company, the excess of acquirer's interest in fair value of acquiree's identifiable net assets over the cost of acquisition (the "excess") arose in the business combination is mainly attributable to the increase in the fair values of the properties under development for sale and properties under development for rental purposes. The excess was recognised in the consolidated income statement immediately.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

	2007	
	Carrying value of acquiree's net assets HK$'000	**Fair value of net asset at acquisition** HK$'000
Net assets acquired:		
Cash and cash equivalents	837	837
Properties under development for sale	202,087	239,846
Trade and other receivables	8,157	8,157
Buildings	6,228	6,228
Investment properties	6,200	6,203
Property, plant and equipment	1,210	1,218
Properties under development for rental purposes	86,236	350,465
Trade and other payables	(222,751)	(222,751)
Shareholder's loan	(56,300)	(56,300)
Minority interests	(36,300)	(104,311)
Deferred income tax liability	(389)	(75,888)
	(4,785)	153,704
Excess of acquirer's interest in fair value of acquiree's identifiable net assets over the cost of acquisition		(5,257)
Satisfied by:		
Cash		97,357
Market value of ordinary shares issued by the Company for the acquisition		51,090
		148,447
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:		
Cash consideration		97,357
Less: Cash and cash equivalents acquired		(837)
		96,520

CBGL and its subsidiaries contributed revenues of HK$186,000 and net loss of HK$3,817,000 to the Group for the period between the date of acquisition and 31 December 2007.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

On 19 April 2008, the Company entered into an agreement with Mr. Ung Sio Hong, a related party, for the disposal of its entire equity interest and shareholders' loan in Parsinno International Limited ("Parsinno"), a wholly-owned subsidiary of the Group. Parsinno held 51% interest in Son Pou Real Estate Company Limited ("Son Pou") which is engaged in a property development project with a carrying amount of HK$75,635,000. The properties under development for rental purposes are pledged to secure general banking facilities granted to Son Pou, in Macau. The disposal was completed on 18 July 2008.

	2008 HK$'000
Net assets disposed of:	
Properties under development for rental purposes	75,636
Bank balances and cash	228
Trade and other payables	(23)
Due to minority interests	(20,483)
Interest-bearing borrowings, secured	(37,400)
	17,958
Gain on disposal of subsidiaries	19,068
Total consideration	37,026
Satisfied by:	
Cash	37,026
Analysis of net inflow of cash and cash equivalents in respect of disposals of subsidiaries:	
Cash consideration received	37,026
Less: Bank balances and cash of the subsidiaries disposed of	(228)
	36,798

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of discontinued operations (note 11)

	2008 HK$'000
Net assets disposed of:	
Property, plant and equipment	7,656
Inventories	8,881
Trade and other receivables	15,140
Trading securities	91
Bank balances and cash	3,046
Exchange reserve	15
Trade and other payables	(20,468)
Due to minority interests	(31,056)
Interest-bearing borrowings, secured	(6,781)
	(23,476)
Gain on disposal of subsidiaries	26,476
Total consideration	3,000
Satisfied by:	
Cash	3,000
Analysis of net outflow of cash and cash equivalents in respect of disposals of subsidiaries:	
Cash consideration received	3,000
Less: Bank balances and cash of the subsidiaries disposed of	(3,046)
	(46)

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Major non-cash transactions

Acquisition of subsidiaries by issuance of the ordinary shares of the Company

On 25 September 2007, the Group acquired 100% of the issued capital of CBGL from an independent third party. Part of the purchase consideration was satisfied by the issue of 129,342,202 new shares of the Company. The acquisition was completed on 25 September 2007.

37. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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 past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one to two months from the date of billing. Debtors with balances that are more than two months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a large number of individual customers with no concentration of credit risk as no (2007: 16.9%) trade and other receivables was due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25.

37. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

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

37. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

The Group

	2008						2007					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Interest-bearing borrowings, secured	366,681	391,560	351,118	2,910	8,661	28,871	274,775	286,335	263,155	23,180	–	–
Other loans	88,534	93,277	93,277	–	–	–	1,531	1,566	1,566	–	–	–
Trade creditors	32,081	32,081	32,081	–	–	–	7,118	7,118	7,118	–	–	–
Accruals and other payables	21,230	21,230	21,230	–	–	–	49,393	49,393	49,393	–	–	–
Advanced proceeds received from customers	72,553	72,553	72,553	–	–	–	71	71	71	–	–	–
Due to minority interests	195,348	196,871	196,871	–	–	–	477,303	477,303	477,303	–	–	–
Convertible notes	177,977	220,067	5,025	5,025	210,017	–	171,412	280,202	6,277	6,277	267,648	–
Due to related companies	273	273	273	–	–	–	2,501	2,501	2,501	–	–	–
	954,677	1,027,912	772,428	7,935	218,678	28,871	984,104	1,104,489	807,384	29,457	267,648	–

37. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

The Company

	2008						2007					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Other loans	1,566	1,605	1,605	–	–	–	1,531	1,566	1,566	–	–	–
Accruals and other payables	2,194	2,194	2,194	–	–	–	2,152	2,152	2,152	–	–	–
Convertible notes	177,977	220,067	5,025	5,025	210,017	–	171,412	280,202	6,277	6,277	267,648	–
	181,737	223,866	8,824	5,025	210,017	–	175,095	283,920	9,995	6,277	267,648	–

37. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash and cash equivalents, bank deposits and bank loans and other borrowings. Borrowings at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the balance sheet date.

	The Group				The Company			
	2008		2007		2008		2007	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Net fixed rate borrowings:								
Bank loans	–	–	7.798%	65,390	–	–	–	–
Other loans	2.5-8.0%	88,534	2.5%	1,531	2.5%	1,566	2.5%	1,531
Due to minority interest	8%	76,157	11%	174,917	–	–	–	–
Convertible notes	6.74-7.09%	177,977	6.74-7.09%	171,412	6.74-7.09%	177,977	6.74-7.09%	171,412
		342,668		413,250		179,543		172,943
Variable rate borrowings:								
Bank loans	1.45-8.32%	366,681	5.20-8.32%	209,385		–		–
Total net borrowings		709,349		622,635		179,543		172,943
Net fixed rate borrowings as a percentage of total net borrowings		48%		66%		100%		100%

37. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and retained earnings by approximately HK$1,833,403 (2007: decrease/increase in the Group's profit after tax and retained earnings of approximately HK$1,060,095).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Note

Interest rate risk arises on interest-bearing financial instruments recognised in the balance sheet (e.g. loans and receivables and debt instruments issued).

(d) Currency risk

The majority of the Group's transactions are denominated in the functional currency of the entity to which they relate. Presently, the Group has no hedging policy with respect to its foreign exchange exposure. The Group's transactional currencies are United States Dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB") as substantially all revenue and costs being denominated in USD, HKD and RMB. The Group's transactional foreign exchange exposure was insignificant.

With respect to trade debtors and creditors which are denominated in USD, the impact of foreign exchange fluctuations is insignificant as the HKD is pegged to USD at a fixed rate of HK$7.8=USD1.

With respect to receivables, payables, cash and cash equivalents, and borrowings denominated in RMB which are exposed to foreign currency risk. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results and equity.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

37. FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008				2007			
	United States Dollars '000	Renminbi '000	MOP '000	EUR '000	United States Dollars '000	Renminbi '000	MOP '000	EUR '000
Trade and other receivables	–	119,210	–	–	16	54,726	1,071	–
Cash and cash equivalents	2	43,541	26	–	405	20,184	214	7
Trade and other payables	–	(107,536)	(12)	–	(613)	(347,803)	(242)	(4)
Interest-bearing borrowings, secured	–	(140,000)	–	–	–	(20,000)	(38,522)	–
Gross exposure arising from recognised assets and liabilities	2	(84,785)	14	–	(192)	(292,893)	(37,479)	3
Net exposure arising from recognised assets and liabilities	2	(84,785)	14	–	(192)	(292,893)	(37,479)	3
Highly probable sales	–	–	–	–	–	5,000	–	100
Highly probable purchases	–	–	–	–	(3,500)	–	–	(400)
Gross exposure arising from forecast transactions	–	–	–	–	(3,500)	5,000	–	(300)
Net exposure arising from forecast transactions	–	–	–	–	(3,500)	5,000	–	(300)
Overall net exposure	2	(84,785)	14	–	(3,692)	(287,893)	(37,479)	(297)

37. FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(i) *Exposure to currency risk* (Continued)

The Company

	Renminbi	
	2008	2007
	'000	'000
Trade and other receivables	**77,431**	50,055
Trade and other payables	**(130)**	–
Net exposure arising from recognised assets and liabilities	**77,301**	50,055
Overall net exposure	**77,301**	50,055

(ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's loss after tax (and retained earnings) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

37. FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Group

	2008		2007	
	Increase in foreign exchange rates	**Effect on loss after tax and retained earnings**	Increase in foreign exchange rates	Effect on profit after tax and retained earnings
	%	**HK$'000**	%	HK$'000
United States Dollars	**5**	**(1)**	5	1,440
Renminbi	**5**	**4,820**	5	15,403
MOP	**5**	**–**	5	1,930
EUR	**5**	**–**	5	406

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

37. FINANCIAL INSTRUMENTS (Continued)

(e) Equity price risk

The Group was exposed to equity price changes arising from equity investments classified as trading securities (see note 21) in 2007 as all listed investments were disposed during the year ended 31 December 2008. The Group's listed investments are listed on the Stock Exchange of Hong Kong. The management monitors regularly the performance of the investments against expectation, together with an assessment of the relevance to the Group's long term strategic plans.

(f) Fair values

The fair values of cash and cash equivalents, bank deposits, trading securities, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

As set out in notes 18 and 25, the Company had loans to subsidiaries and amounts due from subsidiaries, the carrying amounts of which approximate their fair values.

(g) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Trading securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing borrowings and receivables

The fair value is estimated as the present value of future cash flows, discounted at current market rates for similar financial instruments.

38. CONTINGENT LIABILITIES

(a) A subsidiary of the Group (the "subsidiary") has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the subsidiary's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage installments by these buyers, the subsidiary is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the subsidiary is entitled to take over the legal title and possession of the related properties. The total outstanding guarantees to the banks amounted to approximately HK$14,154,405 (2007: nil) as at 31 December 2008, including guarantees of approximately HK$12,130,723 (2007: nil), which will be released when the property title deeds are pledged to banks as security for the respective mortgage loans after the property title deeds are passed to the buyers (the 'completion of pledge procedure'), and guarantees of approximately HK$2,023,682 (2007: nil), which will be released after two years of the completion of pledge procedure.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the subsidiary are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the parties involved is remote, and in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for guarantees.

(b) As at the balance sheet date, the Company has issued guarantees to banks in respect of banking facilities granted to its subsidiaries to the extent of HK$114,845,000 (2007: HK$97,860,000).

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the outstanding amount of the facilities drawn down by the subsidiaries of HK$114,360,000 (2007: HK$65,390,000).

At the balance sheet date, the Group had no other significant contingent liabilities (2007: nil).

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year ended 31 December 2008, Pan-China Construction Group Limited, a minority interest of a subsidiary, provided construction services to Pan-China, a subsidiary of the Group, for HK$139,301,593 (2007: HK$304,027,353).

39. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year ended 31 December 2008, Shenyang Pan-China Business Management Limited, an associate entity of the minority interest of a subsidiary, provided marketing and promotion services to Pan-China, a subsidiary of the Group, for HK$1,665,680 (2007: nil).

(c) During the year ended 31 December 2008, ACE Channel Limited ("ACE"), a company wholly-owned by Mr. Gao Feng, an executive Director of the Company, provided project management services to Central Bingo Group Limited, a wholly-owned subsidiary of the Company in connection with the development, marketing and sale of a property development project in Shenyang, the PRC for a basic service fee of HK$500,000 per month. However, the management agreement was terminated on 31 October 2008. The total management fee paid to ACE for the period from 1 January 2008 to 31 October 2008 was HK$5,000,000 (2007: HK$1,306,000).

(d) On 25 July 2008, Patient Holdings Limited, a wholly-owned subsidiary of the Company entered into an agreement with Wellyet Limited ("Wellyet"), which is wholly-owned by Mr. Law Kar Po, an executive Director and a substantial shareholder of the Company, to acquire the property located at 29th Floor at The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong from Wellyet for a total consideration of HK$81,268,000. The acquisition was completed on 17 September 2008.

(e) On 29 December 2007, Super Times Far East Limited, a wholly-owned subsidiary of the Company entered into an agreement with Cheer Up Investments Limited ("Cheer up"), which is wholly-owned by Mr. Law Kar Po, an executive Director and a substantial shareholder of the Company, to dispose of 12 residential units at various floors and 12 car parking spaces of Edificio Zhu Kuan Mansion (珠光大廈) located in Macau to Cheer up for HK$39,109,000. The disposal was completed on 7 April 2008.

(f) On 9 May 2008, the Company entered into a sale and purchase agreement with Mr. Ung Sio Hong, an associate of a connected person of the Company to dispose of its entire interest in Parsinno International Limited ("Parsinno"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary. Parsinno owns 51% equity interest of Son Pou Real Estate Company Limited ("Son Pou"). The major asset of Son Pou is the property located in Macau. According to the agreement, the consideration for the disposal of Parsinno is HK$37,026,000. The Group realised a disposal gain of HK$19,068,000 upon the completion on 18 July 2008.

39. RELATED PARTY TRANSACTIONS (Continued)

(g) On 22 May 2008, the Company entered into a sale and purchase agreement with Peakway Holdings Limited, a company incorporated in British Virgin Islands and is beneficially wholly-owned by Mr. Lee Sam Yuen, John, a substantial shareholder of Pathway to dispose of its entire 50% interest in Pathway International Limited ("Pathway"), a company incorporated in the British Virgin Islands with limited liability. Pathway and its subsidiaries as collectively "Pathway Group", are principally engaged in the trading of finished leather. Pursuant to the agreement, the consideration for the disposal of Pathway and the assignment of the relevant shareholder's loan of approximately HK$31,200,000 due by Pathway to the Company is HK$3,000,000. The Group realized a disposal gain of HK$26,476,000 upon the completion on 3 July 2008.

(h) Mr. Hoi Man Pak, Mr. Choy Wang Kong and Mr. Law Kar Po, who are executive Directors of the Company, and Mr. Wu Ka I, Miguel, who is an ex-Director of the Company provided a personal guarantee of HK$45,000,000, HK$37,500,000, HK$60,000,000 and HK$7,500,000 respectively to a bank to secure banking facilities granted to Continental Ocean Investment and Development Co. Ltd., a subsidiary of the Company, for which no charge is made.

(i) Key management personnel remuneration

Remuneration for key management personnel of the Group comprises amounts paid to the Company's directors as disclosed in note 8 and those highest paid employees as disclosed in note 9.

(j) Financing arrangements

(i) The outstanding balances due from these related parties are unsecured, interest-free and have no fixed repayment terms (note 25). No impairment for bad or doubtful debts have been made in respect of these receivables. The loans owed to related parties are included in "Trade and other payables" (note 28).

(ii) During the year ended 31 December 2008, Pan-China Construction Group Limited, a minority interest, granted loans of HK$76,157,000 (2007: HK$174,917,000) to Pan-China, a subsidiary of the Group. The loans are unsecured, interest bearing at 8% (2007: 11%) per annum and repayable within three months.

(iii) During the year ended 31 December 2008, Pan-China Construction Group Limited issued a guarantee for loans of HK$86,968,000 (2007: nil) obtained by Pan-China, a subsidiary of the Company, for no charge.

Details of new loans and loans repaid during the year are disclosed in the consolidated cash flow statement.

39. RELATED PARTY TRANSACTIONS (Continued)

(k) During the period ended 3 July 2008, the Pathway Group sold goods amounting to HK$140,000 (2007: HK$901,515) to a company owned by a close family member of Ms. Ng Fung Ying, a director of a subsidiary of the Company.

(l) Mr. Lee Sam Yuen, John, who is an ex-Director of the Company, and Mrs. Lee Shiao Yu Cho, who is a close family member of Mr. Lee Sam Yuen, John, provided a personal guarantee of HK$100 million (2007: HK$100 million) to a bank to secure general banking facilities granted to a subsidiary up to and upon the completion on disposal of Pathway Group on 3 July 2008, for which no charge is made.

(m) For the period from 1 January 2008 to 3 July 2008, the Group has leased certain properties from D.H. International Limited ("D.H. International"), a related company owned by a foundation of which Mr. Lee Sam Yuen, John and Mrs Lee Shiao Yu Cho are beneficiaries, at an aggregate monthly rental of HK$107,000 (2007:HK $107,000). Total rental paid during the period and deposit paid amounted to HK$642,000 (2007: HK$1,284,000) and HK$218,000 (2007: HK$218,000) respectively upon the completion on disposal of Pathway Group on 3 July 2008.

40. COMMITMENTS

(a) Commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Commitments:		
– contracted for the acquisition of the subsidiaries (note 20)	**60,000**	–
– contracted but not provided for the property development project	**1,045,985**	1,033,473
	1,105,985	1,033,473

40. COMMITMENTS (Continued)

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable and receivable as follows:

(i) As lessee

At 31 December 2008, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating leases in respect of properties, plant and equipment which fall due as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
No later than 1 year	**594**	2,794
Later than 1 year and no later than 5 years	**–**	2,071
	594	4,865

(ii) As lessor

At 31 December 2008, the Group had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	The Group			
	2008		2007	
	Investment properties	**Others**	Investment properties	Others
	HK$'000	**HK$'000**	HK$'000	HK$'000
No later than 1 year	**1,453**	**–**	645	650
Later than 1 year and no later than 5 years	**3,786**	**–**	2,871	–
Later than 5 years	**15,155**	**–**	–	–
	20,394	**–**	3,516	650

The Group leased out certain investment properties under operating lease with average lease terms of 10 years.

41. PLEDGE OF ASSETS

(a) At 31 December 2008, the Group pledged the following assets to secure general banking facilities granted to the Group:

	The Group	
	2008	2007
	HK$'000	HK$'000
Investment properties	**60,000**	62,100
Land use rights included in investment properties, properties under development for sale and properties under development for rental purposes	**150,790**	143,470
Non-current asset held for sale	**–**	314,276
Bank deposits	**96,535**	–
Properties under development for sale	**315,063**	75,635
Completed properties held for sale	**–**	61,889
	622,388	657,370

(b) At 31 December 2008, no bank deposits (2007: HK$100,000) were pledged as security with a bank for the issuance of a guarantee letter in relation to a construction project.

42. NON-ADJUSTING POST BALANCE SHEET EVENTS

The Company entered into an agreement (the "Agreement") with an independent third party to purchase the entire issued share capital of Finest Gain Investments Limited ("Finest Gain"), an investment holding company incorporated in the British Virgin Islands, on 13 June 2008 for a consideration of HK$200,000,000 for which HK$140,000,000 was paid as deposit (Note 20) as at 31 December 2008. As at the date of approval of this report, the original completion date of the Agreement was over and the aforesaid precedent conditions of the Agreement have not been completed. For the sake of concluding the transaction, the parties to the Agreement are re-negotiating the terms of the Agreement and including postponing the completion date.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 15(c), 33 and 37 contain information about the assumptions and their risk factors relating to valuation of investment property, defined benefits retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Key sources of estimation uncertainty (Continued)

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have a significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The followings are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(b) Critical accounting judgement in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on the asset's fair value less costs to sell. These assessments require the use of estimates.

The fair value less costs to sell primarily use cash flow projections based on financial budgets approved by management and estimated terminal values at the end of the period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margin, effective tax rate, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realized for the estimated terminal value.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (Continued)

(i) Impairment of assets (Continued)

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(ii) Provision for impairment of trade receivables and other receivables

The Group has no significant concentration of credit risk. The Group makes impairment loss for receivables based on an assessment of the recoverability of trade receivables and other receivables. Allowances are made for trade receivables and other receivables where events or changes in circumstance indicate that the balances may not be collectible based on primarily the ageing of trade receivables and other receivables and the historical write-off experience, net of recoveries. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and allowance for doubtful debt in the period in which such estimates has been changed.

(iii) Impairment of property, plant and equipment and land lease prepayments

The Group's property, plant and equipment represent a significant portion of the Group's total assets. Changes in industry conditions may cause the estimated period of use or the value of these assets to change. Long-lived assets including property, plant and equipment are reviewed for impairment at least annually or whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount is estimated.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical accounting judgement in applying the Group's accounting policies (Continued)

(iv) Development costs directly attributable to property development activities

The Group allocates portions of development costs to properties under development and completed properties. As majority of the Group's property development projects is developed and completed by phases over one year, the budgeted development costs of the whole project are dependent on estimating the total outcome of the constructions, based on the work done to date. Based on the Group's experience and the nature of the constructions undertaken, the Group make estimates and assumptions concerning the future events that are believed to be reasonable under the circumstance. Given the uncertainties involved in property development activities, the related actual results may be higher or lower than that estimated at the balance sheet date. Any change in estimates and assumptions would affect the profit or loss in future years as an adjustment to the amounts recorded to date.

RESULTS

	For the year ended 31 December			9 Months ended	For the year ended 31 March
	2008	2007	2006	31/12/2005	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**82,666**	27,876	72,873	63,949	207,107
Profit/(loss) attributable to equity shareholders of the Company	**(116,091)**	101,973	57,246	38,399	(108,308)
Dividends	**–**	–	–	–	–
Basic earnings/(loss) per share	**(2.91 cents)**	3.23 cents	2.09 cents	1.78 cents	(8.85 cents)
Diluted earnings/(loss) per share	**N/A**	2.76 cents	1.93 cents	N/A	N/A

ASSETS AND LIABILITIES

	As at 31 December				As at 31 March
	2008	2007	2006	2005	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,331,337**	2,215,913	1,262,205	746,419	618,945
Total liabilities	**1,030,362**	1,060,608	522,004	138,615	72,169
NET ASSETS	**1,300,975**	1,155,305	740,201	607,804	546,776

MAJOR PROPERTIES UNDER DEVELOPMENT

	Location	Intended use	Development progress	Expected date of completion	Site area *(sq. m.)*	Gross floor area *(sq. m.)*	Group's interest *(%)*
1.	No. 8 Hunnan West Road and No. 7 Shenying Road, Hunnan New District, Shenyang, Liaoning Province, the People's Republic of China	Residential and Commercial	Construction works commenced	The project is expected to be completed in in phases from 2009 onwards	75,532	460,293	70
2.	Lote TN6, Cheok Ka Chun, Taipa, Macau	Residential with a shopping arcade and car parks	Planning stage	–	4,661	67,679	55

MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
29th Floor, The Sun's Group Centre No. 200 Gloucester Road, Wanchai, Hong Kong	Commercial	Long