Dynamic Global Holdings Limited

(incorporated in Bermuda with limited liability)
(Stock code : 00231)

2008 Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Chen Jung Hsin *(Chief Executive Officer)*
Mr. Li Wing Sum, Steven
Mr. Zhang Guodong

Independent Non-executive Directors:

Dr. Dong Ansheng
Mr. Poon Chiu
Mr. Wu Fengchun

AUDIT COMMITTEE

Mr. Poon Chiu *(Committee Chairman)*
Dr. Dong Ansheng
Mr. Wu Fengchun

REMUNERATION COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Poon Chiu
Mr. Wu Fengchun
Mr. Chen Jung Hsin

NOMINATION COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Poon Chiu
Mr. Wu Fengchun
Mr. Chen Jung Hsin

AUTHORISED REPRESENTATIVES

Mr. Li Wing Sum, Steven
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

QUALIFIED ACCOUNTANT

Mr. Ong Kam Chit, Vincent

AUDITORS

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co. Ltd. (Hong Kong) Branch

REGISTRARS AND TRANSFER OFFICES

Principal:

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch:

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

REGISTERED OFFICE

Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 2212 – 2217, 22/F
The Metropolis Tower
10 Metropolis Drive
Hunghom, Kowloon
Hong Kong

WEBSITE

www.dgholdings.com.hk

STOCK CODE

00231

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

On behalf of the board of directors ("the Directors") of Dynamic Global Holdings Limited ("the Company") and its subsidiaries (together "the Group"), I would like to present to the shareholders of the Company the annual report for the year ended 31 December 2008.

RESULTS

The Group recorded an audited consolidated turnover of HK$66,114,000 (2007: HK$185,253,000), representing a drop of 64%, and net loss of HK$25,895,000 (2007: net profit of HK$87,097,000), respectively, for the year ended 31 December 2008.

BUSINESS REVIEW

During the year under review, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in property investment and development in the PRC.

There was no longer any revaluation gain from investment properties, but instead impairment loss on property, relating to our Shuijinghu Resort Hotel was recorded in the year. With the completion of our Shanghai Fairyoung Building project, sale of properties held for sale dropped significantly in the year. All these had contributed towards the substantial decrease in the turnover and the turnaround to a net loss for the year.

Our Harbin Commercial Building generated long-term steady rental income for the Group with a long lease signed with a PRC conglomerate. The Group had no other active business during the year due to shortage of funds.

In order to improve its financial position, the Company announced on 18 July 2008 to propose, among others, capital reorganisation, open offer and loan capitalisation, which were all duly passed by the shareholders at a special general meeting of the Company held on 9 September 2008. The capital reorganization, which involved the increase in authorised share capital, share consolidation, capital reduction, share subdivision, share premium cancellation and elimination of accumulated losses, was duly completed during the year.

PROSPECTS AND OUTLOOK

With part of the proceeds from the open offer, the Company has acquired the remaining 30% interests in Harbin Dynamic Global Property Company Limited ("HDGP") in November 2008. As HDGP's main asset, the Harbin Commercial Building, has kept on bringing us long term steady revenue, the acquisition enables the Group to completely control over the business performance of HDGP and enhance its contribution of revenue and profit to the Group without deduction of minority interests.

In a bid to capitalize on the growing tourist activities in mainland China, the Group entered into an acquisition agreement for investing in Xiang Quan Hotel, Zhuhai City, Guangdong Province at the end of 2008. Through the arrangement of granting the hotel operation rights to the contractor of Xiang Quan Hotel, the Group will secure steady return on its investment in this hotel project in future.

In order to ride on the booming domestic consumption market, the Group has proceeded to run wine trading business in mainland China, but no contribution therefrom was recorded in the year. We do not rule out the possibility of exploring into other areas of business in China when opportunities arise.

2009 will still be a very tough year, but the economy in mainland China will still grow, perhaps at a lower rate. We are confident that China will be one of the countries which can resume sound economic growth when the global financial crisis subsides, and the Group with its strong presence in China will be benefited from it in future.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENTS

As at 31 December 2008, the Group's current assets and current liabilities were HK$119,063,000 and HK$66,334,000 respectively. The total secured bank loans and obligations under finance lease amounted to HK$58,071,000.

As at 31 December 2008, main charges on assets of the Group include bank balances of HK$2,274,000 and investment properties of HK$302,721,000.

As at 31 December 2008, capital commitments mainly consisted of acquisition of interests in subsidiaries and contribution for long term investment amounting to HK$82,260,000.

The Group's gearing ratio as at 31 December 2008 was 34%, which is calculated on the Group's total liabilities divided by its total assets.

FOREIGN EXCHANGE RISK

The Group's operations are principally in mainland China and all assets and liabilities are denominated either in Renminbi or Hong Kong dollars. The Directors consider that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

CONTINGENT LIABILITIES

Financial Guarantees Issued

As at 31 December 2008, the Group undertook guarantees in respect of mortgage loans granted by certain banks of RMB Nil (HK$Nil) (2007: approximately RMB3,737,000 (approximately HK$4,005,000)) relating to the mortgage loans arranged for certain purchasers of the Group's properties under development for sale since 2003. Pursuant to the terms of the guarantees, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties under development for sale. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees. All the guarantees have been released when the mortgagees obtained their property title certificates during the year ended 31 December 2008.

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 50 employees, who are remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training is provided to staff from time to time. The Group currently does not have any share option scheme for employees.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the management and staff for their valuable contribution and dedication in the past year. We would also like to thank our shareholders, investors, customers and business partners for their continued support and confidence.

Chen Jung Hsin
CEO & Executive Director

Hong Kong, 17 April 2009

EXECUTIVE DIRECTORS

Mr. Chen Jung Hsin, aged 43, has been an Executive Director and Chief Executive Officer ("CEO") of the Company since 6 January 2006. Mr. Chen has extensive experience in industrial management and trading in Hong Kong and Mainland China and is experienced in trading and financial investment in Mainland China. He was an Executive Director of the Company during the period from 4 February 2002 to 15 July 2005.

Mr. Li Wing Sum, Steven, aged 52, has been an Executive Director of the Company since 6 January 2006. Mr. Li is a fellow member respectively of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has over 25 years' experience in auditing, accounting, company secretarial services, taxation and financial management. Mr. Li had worked in an international accounting firm and had been employed as financial controller of various companies including a Hong Kong listed company as well as a multinational organization. He was an Independent Non-executive Director of the Company during the period from 9 September 2004 to 6 July 2005. Since July 2000, Mr. Li has been the Qualified Accountant and Company Secretary of Shanghai Fudan Microelectronics Company Limited, a company listed on the The Growth Enterprise Market of the Stock Exchange.

Mr. Zhang Guodong, aged 32, has been an Executive Director of the Company since 1 March 2009. Mr. Zhang was graduated from the College of Economics and Management, Jilin University, PRC and holds a Bachelor's degree in Accountancy. He is a certified accountant in the PRC and a student member of the Association of Chartered Certified Accountants (ACCA). He is now studying for full membership of ACCA and Master's degree in Accountancy (MPAcc). Mr. Zhang had worked as a project manager respectively in Beijing and Zhuhai BDO Certified Public Accountants, as well as a department manager in BDO Shenzhen Dahua Tiancheng Certified Public Accountants, and was mainly responsible for financial audit and advisory as well as tax planning work relating to companies listed in the PRC and overseas. He was then appointed as the financial controller of Daxin Trading (Shanghai) Company Limited* (大辛貿易（上海）有限公司) and Shanghai Renwu Enterprise and Investment Company Limited* (上海潤物實業投資有限公司) respectively. Mr. Zhang is well versed in the PRC and international accounting standards, rules and regulations and has profound knowledge in finance.

BIOGRAPHIES OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Dong Ansheng, aged 57, has been an Independent Non-executive Director of the Company since 6 January 2006. Dr. Dong holds a Bachelor of Laws degree from the Political and Law Sciences School of Chinese Northwestern College（西北政法學院）; and Master and Doctoral degrees in laws from the Law School of the Renmin University, China（中國人民大學）. Dr. Dong is well versed in various areas of law and has been a lecturer in Mainland China, Hong Kong and Taiwan as well as a China law consultant to a number of companies in their listing exercise in Mainland China and Hong Kong.

Dr. Dong is serving as an independent non-executive director of Beijing Capital International Airport Corporation Limited (listed on the Hong Kong Stock Exchange), Beijing Wangfujing Department Store (Group) Company, Limited (listed on the Shanghai Stock Exchange), BOE Technology Group Company, Limited (listed on the Shanghai Stock Exchange), and Zhejiang New Jialian Electronics Company, Limited (listed on the Shenzhen Stock Exchange). In the past three years, Dr. Dong had served as an independent non-executive director of Zhongjin Gold Company, Limited (listed on the Shenzhen Stock Exchange).

Mr. Poon Chiu, aged 59, has been an Independent Non-executive Director of the Company since 8 February 2006. He is a practicing Certified Public Accountant in Hong Kong, and a Fellow member of the Association of Chartered and Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master of Science degree in Finance from the University of Leicester, UK. Mr. Poon is a seasoned financial professional with extensive experience in high-tech, wine and spirits and operations, business acquisition and merger and system development. He was also an Independent Non-executive Director of Auroma Global Investment Holdings Limited (formerly known as "Orient Industries Holdings Limited") (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited) from June 2005 to April 2007; and also an executive director of Luolan Holdings Limited (the shares of which were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) from February 2007 to March 2008.

Mr. Wu Fengchun, aged 57, has been an Independent Non-executive Director of the Company since 15 September 2006. Mr. Wu holds a legal professional qualification from Lanzhou University, Gansu Province, PRC, and a Master of Laws degree from the Asia International Open University (Macau) majoring in International Commercial Law. He had attended a training course on independent directorship jointly run by the China Securities Regulatory Commission and Shanghai Fudan University. Mr. Wu was once a prosecutor in the Gansu People's procuratorate and head of the Legal and Administration Departments of Dongda Holdings Limited (東大集團股份有限公司) Zhuhai SEZ. He is the managing partner of Unite Success Law Firm, Guangdong (廣東集大成律師事務所), the legal advisor to Zhuhai National People's Congress Standing Committee, and a guest researcher of China Special Economic Zone Legislation Research Centre, Zhuhai School of Beijing Normal University, as well as a member and arbitrator of Zhuhai Arbitration Committee.

CORPORATE GOVERNANCE REPORT

The board of directors ("Board") is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence and accountability. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly tightened regulatory requirements.

The Code on Corporate Governance Practices ("CGP Code") issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") in its Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") sets out two levels of corporate governance practices, ie, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CGP Code, save for the deviations discussed below.

THE BOARD

The Board is responsible for guiding and leading the Company. The directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

The Board currently comprises three Executive Directors and three Independent Non-executive Directors. The Board has established committees to oversee different areas of the Company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed in this report. The Board members have no financial, business, family or other material/relevant relationships with each other.

The numbers of Board Meetings and meetings of various committees attended by each Director during the year under review are set out in the following table. Figure in brackets indicates maximum number of meetings in the period in which the individual could attend as a Board member and member of various committees, as the case may be.

		Meetings Attended/(Held)			
	Note	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors					
Mr. Chen Jung Hsin		14/14	N/A	1/(1)	2/2
Mr. Li Wing Sum, Steven		14/14	N/A	N/A	N/A
Mr. Liang Wenjian	*1*	0/0	N/A	N/A	N/A
Mr. Zhang Guodong	*2*	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Dr. Dong Ansheng		14/14	2/2	1/(1)	2/2
Mr. Poon Chiu		11/14	2/2	1/(1)	2/2
Mr. Wu Fengchun		12/14	2/2	1/(1)	2/2

Notes:

1. *Resigned as Executive Director on 4 March 2008.*
2. *Appointed as Executive Director on 1 March 2009.*

Each of the Independent Non-executive Directors have confirmed in writing their independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

Biographical details of the Directors of the Company as at the date of this report are set out on pages 5 and 6 of this annual report. Given the composition of the Board and the skills, knowledge and expertise of the Director, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

CORPORATE GOVERNANCE REPORT

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of emoluments of the Directors from the Group for the year are disclosed in Note 9 to the financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

During the year under review, appointment of new Directors was considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors (except the Chairman and/or Managing Director) are subject to retirement by rotation and re-election at annual general meetings of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of the Directors (excluding the Chairman and/or Managing Director), or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office.

The existing Bye-laws governing the retirement of Directors deviate from the CGP Code provisions in the following aspects: (i) unlike the other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. The Board may review the above-mentioned practice from time to time and consider amending the Bye-laws when necessary.

CHAIRMAN AND CHIEF EXECUTIVE

Since the resignation of the Chairman on 31 December 2005, the position of Chairman has not been filled. The position of CEO is served by Mr. Chan Jung Hsin, an Executive Director of the Company.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all Independent Non-executive Directors have no specific term of office with the Company. All of them are subject to retirement by rotation in accordance with Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors and is chaired by Mr. Poon Chiu, a practicing certified public accountant. The Committee is responsible for review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records and external auditors and senior management.

The Audit Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code provision.

REMUNERATION COMMITTEE

The Remuneration Committee, comprised all Independent Non-executive Directors and the CEO, is responsible for reviewing and determining the compensation and benefits of the Directors and senior management. The Remuneration Committee is chaired by an Independent Non-executive Director.

The Remuneration Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision.

NOMINATION COMMITTEE

The Nomination Committee, comprised all Independent Non-executive Directors and the CEO, is responsible for reviewing and making recommendation to the Board on matters relating to the Board structure and appointment and re-appointment of Directors. The Nomination Committee is chaired by an Independent Non-executive Director.

The Nomination Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives.

AUDITORS' REMUNERATION

CCIF CPA Limited has been the auditor of the Company. Total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$577,000 (2007: HK$570,000). HK$570,000 (2007: Nil) was incurred for other non-audit services (including accounting services for an open offer and a major transaction) provided by the Auditors for the Company and its subsidiaries during the year.

The responsibilities of the auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 15.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the Period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communications with its shareholders and investors. As a means of communications, the Company provides information relating to the Company and its business in its interim and annual reports.

The Company regards its annual general meeting as an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meetings to address shareholders' queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters concerning the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management direct.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in detail in notes 18 and 19, respectively, to the financial statements. There was no change in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2008 is set out in note 14 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 23.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2008, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 89. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year together with the reasons therefor, are set out in note 34 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2008 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Chen Jung Hsin
Mr. Li Wing Sum, Steven
Mr. Liang Wenjian (resigned on 4 March 2008)
Mr. Zhang Guodong (appointed on 1 March 2009)

Independent Non-executive Directors

Dr. Dong Ansheng
Mr. Poon Chiu
Mr. Wu Fengchun

In accordance with Bye-law 100 of the Company's Bye-laws, Mr. Zhang Guodong shall retire from office at the forthcoming annual general meeting ("AGM") of the Company, and, being eligible and offer himself for re-election. In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Li Wing Sum, Steven and Dr. Dong Ansheng shall retire from office at the AGM and, being eligible and offer themselves for re-election.

DIRECTORS' SERVICE AGREEMENTS

Mr. Chen Jung Hsin, Mr. Li Wing Sum, Steven and Mr. Zhang Guodong have each entered into a service agreement with the Company for an initial term of three years commencing on 6 January 2006, 6 January 2006 and 1 March 2009 respectively and shall continue thereafter unless terminated in accordance with the terms of the service agreements.

None of the Independent Non-executive Directors have entered into a service agreement with the Company. They have no specific term of office but shall be subject to retirement by rotation and be eligible for re-election at the AGM of the Company pursuant to the Bye-laws.

Save as disclosed above, no director proposed for re-election at the AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had any beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its holding companies or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

At 31 December 2008, none of the directors, chief executive nor their associates, had any interests or short position in any shares, underlying shares or rights to subscribe for the securities of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 352 of the Securities and Futures ordinance (the "SFC"), or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

At as 31 December 2008, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

(a) Long position in the Shares:

Name of substantial shareholder	Note	No. of ordinary shares of HK$0.05 each Personal interests	Corporate interests	Total	Shareholding percentage
Mr. Liang Wenguan ("Mr. Liang")	1	125,412,000	2,084,549,171	2,209,961,171	61.17%
Gree International Holding Limited ("Gree")	1	–	723,970,000	723,970,000	20.04%
Main Hero Investment Limited	2	–	314,348,000	314,348,000	8.70%

Note 1: *Madex International Company Limited, a company which is 100% owned by Mr. Liang, has charged 723,970,000 Shares to Gree, which is thus deemed to be interested in the said shares. Mr. Wang Gang and Mr. Dong Taijin, each holding 50% of the issued share capital of Gree, are severally deemed to be interested in all 723,970,000 Shares, representing 20.04% of the issued shares capital of the Company as at the Latest Practicable Date.*

Note 2: *Mr. Leung Chin Fung, holding 95% of the issued share capital of Main Hero Investment Ltd., is deemed to be interested in the 314,348,000 Shares, representing 8.70% of the issued shares capital of the Company as a the Latest Practicable Date.*

As at 31 December 2008, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

(b) Long position in the shares of the subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of Shareholding
Binshou Huifeng Three-Dimension Agriculture Development Ltd.* 濱州惠豐三維農業發展有限公司	Wuli County Donghuang Agiculture Development Centre* 無棣縣東黃農業綜合開發中心	49%
Harbin Dynamic Global Property Co., Ltd.* 哈爾濱環球動力置業有限公司	Zhuhai Rongye Technology Development Co., Ltd.* 珠海榮業科技發展有限公司	30%

* *for identification purpose only*

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company), including companies of which the Director/proposed directors is an employee, who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries 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.

MANAGEMENT CONTRACT

No contracts 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.

CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

Details of the connected transactions and material related party transactions are provided in note 37 to the financial statements.

MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries during the year, which are or may be material:

(1) a loan agreement dated 17 April 2008 between the Company as borrower and Madex Holdings Limited as lender in relation to a loan of amount HK$60,000,000;

(2) a debt assignment dated 30 April 2008 among the Company (as debtor), Madex Holdings Limited (as assignee) and Zhuhai Rongye Property Agency Limited (as assignor) in relation to assignment of debts of aggregate amount HK$32,651,121;

(3) a debt assignment dated 16 June 2008 among the Company (as new debtor), Harbin Dynamic Global Property Co., Ltd. (as original debtor), Madex Holdings Limited (as assignee) and Zhuhai Rongye Technology Development Limited (as assignor) in relation to assignment of a debt of an amount HK$5,010,112;

(4) a debt assignment dated 16 June 2008 among the Company (as new debtor), Harbin Dynamic Global Property Co., Ltd. (as original debtor), Madex Holdings Limited (as assignee) and Zhuhai Rongye Property Agency Limited (as assignor) in relation to assignment of a debt of an amount HK$12,507,653;

(5) a debt assignment dated 16 June 2008 among the Company (as assignee), Fairyoung (Shanghai) Properties Limited (as assignor), Madex Holdings Limited (as new debtor) and Zhuhai Rongye Technology Development Limited (as original debtor) in relation to assignment of a debt of an amount HK$16,853,933;

(6) an acquisition agreement dated 7 July 2008 in respect of acquiring the remaining equity interest in a non-wholly owned subsidiary of the Group (cancelled by a cancellation agreement dated 16 July 2008);

REPORT OF THE DIRECTORS

(7) an underwriting agreement dated 7 July 2008 (varied by two supplemental agreements dated 18 July 2008 and 11 August 2008) entered into between the Company, Madex International Company Limited, Mr. Liang, and Madex Holidings Limited in relation to an open offer;

(8) a loan capitalisation agreement dated 7 July 2008 (varied by two supplemental agreements dated 18 July 2008 and 11 August 2008) entered into by the Company and Madex Holdings Limited;

(9) a conditional sale and purchase agreement dated 24 November 2008 to acquire 30% equity interest in Harbin Dynamic Global Property Co., Ltd. (a 70% owned subsidiary of the Company) from the minority shareholder for a total cash consideration of HK$51 million; and

(10) a conditional sale and purchase agreement dated 11 December 2008 entered into with an independent third party to acquire the entire equity interest of and the shareholder's loan to Xiang Quan Hotel Company Limited for a total consideration of HK$50 million (subject to adjustment).

LITIGATION

Details of the litigation are provided in note 41 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDITORS

CCIF CPA Limited retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Chen Jung Hsin
CEO & Executive Director

Hong Kong, 17 April 2009

INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DYNAMIC GLOBAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Dynamic Global Holdings Limited (the "Company") set out on pages 17 to 88, 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, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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.

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a loss of approximately HK$25,895,000 for the year ended 31 December 2008. In addition, as disclosed in note 38(b) to the financial statements, the Group had contracted commitments in respect of the capital expenditure of approximately HK$53,331,000 falling due within one year of which HK$47,649,000 has been paid up to the date of this report. The validity of the consolidated financial statements being prepared on a going concern basis depends upon the continuing credit facility granted by the holding company and cash flow generated from future operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern.

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

Alvin Yeung
Practising Certificate Number P05206

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**66,114**	185,253
Cost of sales		**(49,521)**	(177,363)
Gross profit		**16,593**	7,890
Valuation gain on investment properties	17	**–**	147,679
Other revenue	6	**867**	3,242
Other net (expenses)/income	6	**(6,797)**	13,859
Distribution costs		**(1,368)**	(5,744)
Administrative expenses		**(29,886)**	(31,730)
(LOSS)/PROFIT FROM OPERATIONS		**(20,591)**	135,196
Finance costs	7(a)	**(4,833)**	(7,490)
(LOSS)/PROFIT BEFORE TAXATION	7	**(25,424)**	127,706
Income tax	8	**(471)**	(40,609)
(LOSS)/PROFIT FOR THE YEAR		**(25,895)**	87,097
ATTRIBUTABLE TO:			
Equity shareholders of the Company		**(27,134)**	54,387
Minority interests		**1,239**	32,710
(LOSS)/PROFIT FOR THE YEAR		**(25,895)**	87,097
(LOSS)/EARNINGS PER SHARE			
– Basic and diluted (2007: restated)	13	**HK(1.21) cents**	HK4.82 cents

The notes on pages 24 to 88 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interest in leasehold land held for own use under operating leases	15	**5,985**	5,864
Property, plant and equipment	16	**4,708**	13,228
Investment properties	17	**302,721**	286,174
Interest in associates	19	**–**	–
Other financial assets	20	**–**	–
Deposits for acquisition of subsidiaries	21	**21,351**	–
Long-term other receivable	22	**5,682**	–
		340,447	305,266
CURRENT ASSETS			
Inventories	23	**3,223**	41,864
Trade and other receivables	24	**32,229**	45,493
Pledged and restricted bank balances	26	**2,931**	2,698
Cash and cash equivalents	26	**80,680**	34,743
		119,063	124,798
CURRENT LIABILITIES			
Trade and other payables	27	**55,865**	202,408
Secured bank loans	28	**7,370**	–
Non-interest bearing borrowings	29	**–**	52,407
Interest-bearing borrowings	30	**–**	83,945
Obligations under finance lease	31	**310**	–
Current taxation	32(a)	**1,006**	505
Provisions	33	**1,783**	32,856
		(66,334)	(372,121)
NET CURRENT ASSETS/(LIABILITIES)		**52,729**	(247,323)
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,176**	57,943
NON-CURRENT LIABILITIES			
Secured bank loans	28	**49,745**	–
Obligations under finance lease	31	**646**	–
Deferred tax liabilities	32(b)	**39,323**	37,174
		(89,714)	(37,174)
NET ASSETS		**303,462**	20,769

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CAPITAL AND RESERVES			
Share capital	34	**180,625**	301,041
Reserves	35	**62,310**	(336,283)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**242,935**	(35,242)
MINORITY INTERESTS	35	**60,527**	56,011
TOTAL EQUITY		**303,462**	20,769

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

Chen Jung Hsin
Director

Li Wing Sum, Steven
Director

The notes on pages 24 to 88 form part of these financial statements.

BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investment in subsidiaries	18	**399,047**	367,620
Other financial assets	20	**–**	–
		399,047	367,620
CURRENT ASSETS			
Trade and other receivables	24	**489**	533
Cash and cash equivalents	26	**53,262**	–
		53,751	533
CURRENT LIABILITIES			
Other payables and accruals	27	**134,890**	262,101
Non-interest bearing borrowings	29	**–**	21,866
Interest-bearing borrowings	30	**–**	52,862
		(134,890)	(336,829)
NET CURRENT LIABILITIES		**(81,139)**	(336,296)
NET ASSETS		**317,908**	31,324
CAPITAL AND RESERVES			
Share capital	34	**180,625**	301,041
Reserves	35	**137,283**	(269,717)
TOTAL EQUITY		**317,908**	31,324

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

Chen Jung Hsin
Director

Li Wing Sum, Steven
Director

The notes on pages 24 to 88 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	301,041	63,528	222,194	52	11,689	(695,587)	(97,083)	21,650	(75,433)
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	–	7,454	–	7,454	1,651	9,105
Profit for the year	–	–	–	–	–	54,387	54,387	32,710	87,097
At 31 December 2007	301,041	63,528	222,194	52	19,143	(641,200)	(35,242)	56,011	20,769
At 1 January 2008	301,041	63,528	222,194	52	19,143	(641,200)	(35,242)	56,011	20,769
Issue of shares *(note 34(b) & (c))*	60,208	21,196	–	–	–	–	81,404	–	81,404
Capital reduction *(note 34(e))*	(270,937)	–	270,937	–	–	–	–	–	–
Share premium cancellation	–	(84,724)	84,724	–	–	–	–	–	–
Shares issued under open offer *(note 34(g))*	90,313	126,437	–	–	–	–	216,750	–	216,750
Expenses for issue of shares	–	(2,260)	–	–	–	–	(2,260)	–	(2,260)
Elimination of accumulated losses	–	–	(577,855)	–	–	577,855	–	–	–
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	–	9,417	–	9,417	3,277	12,694
Loss for the year	–	–	–	–	–	(27,134)	(27,134)	1,239	(25,895)
At 31 December 2008	180,625	124,177	–	52	28,560	(90,479)	242,935	60,527	303,462

The notes on pages 24 to 88 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	**2008 HK$'000**	2007 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(25,424)**	127,706
Adjustments for:			
Depreciation	16	**2,389**	2,650
Amortisation of interests in leasehold land held for own use under operating leases	15	**218**	206
Impairment losses on property, plant and equipment	16	**9,409**	6,600
Impairment losses on trade receivables		**–**	296
Reversal of impairment losses on other receivables		**–**	(95)
Reversal of impairment losses on investment deposits		**–**	(30,000)
Valuation gain on investment properties		**–**	(147,679)
Interest paid		**4,833**	7,490
Interest income		**(278)**	(44)
Loss on disposal of property, plant and equipment, net		**84**	57
Negative goodwill on acquisition of subsidiary	25	**(96)**	–
Write-off of property, plant and equipment		**–**	61
Foreign exchange loss		**(2,990)**	–
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL		**(11,855)**	(32,752)
Decrease in inventories		**41,022**	168,389
Decrease/(increase) in trade and other receivables		**15,016**	(487)
Decrease in trade and other payables		**(47,795)**	(72,701)
Decrease in provisions		**(32,864)**	(4,232)
		(24,621)	90,969
CASH (USED IN)/GENERATED FROM OPERATIONS		**(36,476)**	58,217
Tax paid			
PRC Enterprise Income tax paid		**–**	–
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(36,476)**	58,217

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Payment for construction cost on investment properties under development and purchase of property, plant and equipment		**(1,643)**	(24,884)
Proceeds on disposal of property, plant and equipment		**81**	4
Cash inflow from acquisition of subsidiary	25	**170**	–
Interest received		**278**	44
Payment for deposits on long-term investment		**(5,682)**	–
Payment for deposits for acquisition of subsidiaries	21	**(21,351)**	–
Increase in pledged and restricted bank balances		**(233)**	(2,238)
NET CASH USED IN INVESTING ACTIVITIES		**(28,380)**	(27,074)
FINANCING ACTIVITIES			
Proceeds from new bank loans		**58,960**	–
Repayment of bank loans		**(1,845)**	–
Repayment of finance lease payable		**(52)**	–
Interest element of finance lease payable		**(10)**	–
Interest paid		**(2,726)**	–
Repayment of non-interest bearing borrowings		**(25,723)**	(32,417)
Repayment of interest bearing borrowings		**(26,077)**	–
Increase in amount due to a subsidiary of the Company's substantial shareholder		**–**	31,884
Proceeds from new share issued		**110,287**	–
Cost on issue of shares		**(2,260)**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**110,554**	(533)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**45,698**	30,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**34,743**	3,843
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**239**	290
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**80,680**	34,743

The notes on pages 24 to 88 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Dynamic Global Holdings Limited (the "Company") was incorporated in Bermuda on 10 April 1989 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 18 to the financial statements.

2. GOING CONCERN

The Group incurred a loss of approximately HK$25,895,000 (2007: profit of approximately HK$87,097,000) for the year ended 31 December 2008 and as disclosed in note 38(b) to the financial statements, the Group has contracted commitments for capital expenditure of approximately HK$53,331,000 falling due within one year of which HK$47,649,000 has been paid up to the date of approval of these financial statements.

In preparing the consolidated financial statements, the directors of the Company have considered the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flow operations in the immediate and longer term.

In order to strengthen the capital base of the Group and to improve the Group's financial position, liquidity and cash flows in the immediate foreseeable future and to sustain the Group as a going concern. On 2 January 2009, the holding company has granted a standby facility to the Company with limit up to RMB20 million (approximately HK$22.6 million) which is available up to 18 months to 1 July 2010.

In the opinion of the directors of the Company, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2008 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. 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. 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 4 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.

3. 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 (together referred to as the "Group") and the Group's interest in associates. The consolidated financial statements are presented in Hong Kong dollars, rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 3(g))

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 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 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 periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 45.

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 its 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) SUBSIDIARIES AND MINORITY INTERESTS *(continued)*

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

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(n) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(j)).

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 interest 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, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the interest in associates recognised for the year (see note 3(e) and (j)).

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 interest in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates 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 the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) GOODWILL

Goodwill represents the excess of the cost of a business combination or an interest 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 3(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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 interest in an associate is recognised immediately in income statement.

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 income statement on disposal.

f) OTHER INVESTMENTS IN EQUITY SECURITIES

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

Investments in 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 income statement as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in income statement. The net gain or loss recognised in income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 3(s)(vi) and (vii) respectively.

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 initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet at amortised cost less impairment losses (see note 3(j)).

Investments in equity securities that do not have a listed 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 3(j)).

For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, it is measured at cost less impairment (because its fair value cannot be measured reliably).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) INVESTMENT PROPERTY

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 3(i)) 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 the income statement. Rental income from investment properties is accounted for as described in note 3(s)(v).

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 were held under a finance lease, 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 3(i).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in income statement.

h) OTHER PROPERTY, PLANT AND EQUIPMENT

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses (see note 3(j)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

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 as follows:

– Freehold land is not depreciated	
– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion	
– Leasehold improvements	Over the lease terms
– Plant and machinery	10-15 years
– Furniture and equipment	5-15 years
– Motor vehicles	4-10 years

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.

i) 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 the 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, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 3(g)); and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) LEASED ASSETS *(continued)*

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 3(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the 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.

j) IMPAIRMENT OF ASSETS

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 3(j)(ii) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) IMPAIRMENT OF ASSETS *(Continued)*

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

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

– For trade 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.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors 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 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 income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) IMPAIRMENT OF ASSETS *(Continued)*

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:

- interest in leasehold land held for own use under operating leases;
- property, plant and equipment;
- investment in subsidiaries and associates; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use, 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, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) IMPAIRMENT OF ASSETS *(Continued)*

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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. As 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 notes 3(j)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale 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 only at the end of the financial year to which the interim period relates.

k) INVENTORIES

Inventories in respect of property development activities are carried at the lower of cost and net realized value. Cost and net realisable values are determined as follows:

i) Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 3(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the proceeds of properties sold in the ordinary course of business less estimated selling expenses incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

iii) Consumables

Consumables are stated at cost less any write down for obsolescence.

l) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(j)), 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 doubtful debts (see note 3(j)).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments 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.

n) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(r)(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.

o) 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 the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

p) EMPLOYEE BENEFITS

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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) Share-based payments

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

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) EMPLOYEE BENEFITS *(continued)*

iii) 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.

q) 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 the income statement 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.

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 difference 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q) INCOME TAX *(continued)*

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 profits 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 profits 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.

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 Company or the Group 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 Company or the Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r) 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 recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(r)(iii) if and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claims on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. 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 measure. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(r)(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 expenditure 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) 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 the income statement as follows:

i) Proceeds from the sale of properties held for sale are recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received;

ii) Proceeds from pre-sale of properties under development for sale are recognised by reference to the degree of completion of the development and the terms of payment for properties pre-sold, with due allowance for contingencies when appropriate in respect of agreement entered into before 1 January 2005, while the completion method is adopted for agreements entered into on or after 1 January 2005 pursuant to Hong Kong Interpretation 3 'Revenue-Pre-completion Contracts for the Sale of Development Properties' issued by the HKICPA;

iii) Proceeds from resort operation are recognised upon provision of services;

iv) Proceeds from sale of consumables are recognised when consumables are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the consumables 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;

v) Rental income receivable under operating leases is recognized in the income statement 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 lease asset. Lease incentives granted are recognized in the income statement 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;

vi) Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established. Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

vii) Interest on bank deposits is recognised as it accrues using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t) 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 the income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities 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 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 operations acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

u) BORROWING COSTS

Borrowing costs are expensed in income statement 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 expenditures 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

v) RELATED PARTIES

For the purpose 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 equity 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.

w) 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 consumables, 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 consolidated process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

w) SEGMENT REPORTING *(continued)*

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

The Group's operating businesses are structured and managed separately, based on the nature of their operations and the products and services provided. Each of the Group's business segment represents a strategic business unit that offers different products and services which are subject to risks and returns that are different from those of the other business segments. Summarised details of the major business segments are as follows:

i) The property development segment is engaged in the development and sale of residential and office units, shopping mall and car parks;

ii) The property leasing segment is engaged in leasing of the Group's properties to generate rental income and to gain from the appreciation in the properties' values in the long term;

iii) The investment holding segment invests in high technology projects in mainland China;

iv) The resort operation segment is engaged in the resort operation in mainland China; and

v) Other segment is engaged in sales of consumables.

4. 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 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 adjustment is required.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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 Obligation Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 and 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 Standard [3]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments [2]
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]

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.

5. TURNOVER

The principal activities of the Group are property development, property leasing and investment holding.

Turnover represents the aggregate of net proceeds from the sale of properties, (in the case of pre-sale of properties under development of which the pre-sale contracts were entered into prior to 1 January 2005, such proceeds are adjusted to reflect the progress of development, while the completion method is adopted for agreements entered into on or after 1 January 2005), rental income from investment properties and sales of consumables after elimination of all significant intra-group transactions.

During the year, the Group had turnover arising from the following activities:

	2008 **HK$'000**	2007 HK$'000
Sales of properties held for sale	**53,050**	181,602
Gross rental income from investment properties	**10,872**	1,769
Sale of consumables	**2,192**	1,882
Turnover	**66,114**	185,253

6. OTHER REVENUE AND OTHER NET (EXPENSES)/INCOME

	2008 **HK$'000**	2007 HK$'000
Other revenue		
Interest income from banks	**278**	44
Total interest income on financial assets not at fair value through profit or loss	**278**	44
Refund of business tax	**–**	2,831
Sundry income	**589**	367
	867	3,242
Other net (expenses)/income		
Net loss on disposal of property, plant and equipment	**(84)**	(57)
Negative goodwill * *(note 25)*	**96**	–
Impairment losses on property, plant and equipment *(note 16)*	**(9,409)**	(6,600)
Impairment losses on trade receivables *(note 24)*	**–**	(296)
Reversal of impairment losses on other receivables	**–**	95
Reversal of impairment losses on investment deposits	**–**	30,000
Waiver/(provision) for legal claims, net *(note 33)*	**2,832**	(8,003)
Waiver/(provision) for compensations, net *(note 33)*	**233**	(1,164)
Legal claims	**(527)**	(101)
Foreign exchange gain/(loss), net	**110**	(15)
Others	**(48)**	–
	(6,797)	13,859

* The amount represented the excess of the fair value of assets and liabilities of the subsidiary acquired on 5 November 2008.

7. (LOSS)/PROFIT BEFORE TAXATION

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

	2008 HK$'000	2007 HK$'000
a) Finance costs		
Interest on bank loans and other interest bearing borrowings wholly repayable		
– within five years	**3,768**	9,194
– over five years	**1,055**	–
Finance charges on obligations under finance leases	**10**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**4,833**	9,194
Less: Interest expense capitalised into property, plant and equipment *(note 16)*	**–**	(1,704)
	4,833	7,490

The borrowing costs had been capitalised at a rate of Nil (2007: 6.58% per annum).

b) Staff costs (include directors' remuneration)

	2008 HK$'000	2007 HK$'000
Salaries, wages and other benefits	**8,107**	8,070
Retirement benefits scheme contributions	**95**	88
	8,202	8,158

c) Other items

	2008 HK$'000	2007 HK$'000
Amortisation of interests in leasehold land held for own use under operating leases	**218**	206
Depreciation for property, plant and equipment	**2,389**	2,650
Auditor's remuneration	**577**	570
Operating lease charges: minimum lease payments	**2,048**	1,868
Cost of inventories sold	**47,899**	177,363
Gross rental income from investment properties less direct outgoings of HK$1,622,000 (2007: Nil)	**(9,250)**	(1,769)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 that reduced corporate profits tax rate from 17.5% to 16.5% will effect from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the overseas subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

The Company's subsidiaries established in mainland China, including the foreign investment enterprise and the local investment enterprise, are subject to the PRC enterprise income tax rate of 18% to 25% and 15% respectively for the years ended 31 December 2008 and 2007.

On 16 March 2007, the People's Republic of China (the "PRC") promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from 1 January 2008. For the subsidiary which was subject to the PRC enterprise income tax at a rate of 15% on its assessable profits arising in the PRC, effective on 1 January 2008, such tax rate will gradually transit to applicable tax rate of 25%.

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

	2008 HK$'000	2007 HK$'000
Current tax		
PRC Enterprise Income Tax	**939**	3,435
Over-provision in prior years		
PRC Enterprise Income Tax	**(468)**	–
	471	3,435
Deferred taxation		
Origination and reversal of temporary differences	**–**	37,174
Tax expense	**471**	40,609

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit before taxation	**(25,424)**	127,706
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	**(2,972)**	32,508
Over-provision of taxation in prior years	**(468)**	–
Tax effect of unused tax losses not recognised	**3,911**	8,101
Tax expense	**471**	40,609

9. DIRECTORS' REMUNERATION

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

	2008				
	Fees	**Salaries and other benefits**	**Compensation for loss of office**	**Retirement scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Chen Jung Hsin	–	1,162	–	12	1,174
Li Wing Sum, Steven	–	798	–	12	810
Liang Wenjian (resigned on 4 March 2008)	–	126	–	–	126
	–	2,086	–	24	2,110
Independent non-executive directors					
Dong Ansheng	120	–	–	–	120
Poon Chiu	120	–	–	–	120
Wu Fengchun	120	–	–	–	120
	360	–	–	–	360
Total	360	2,086	–	24	2,470

	2007				
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Chen Jung Hsin	–	1,144	–	12	1,156
Li Wing Sum, Steven	–	780	–	12	792
Liang Wenjian	–	780	–	–	780
Dai Xu (appointed on 26 February 2007 and resigned on 8 October 2007)	–	516	–	–	516
	–	3,220	–	24	3,244
Independent non-executive directors					
Dong Ansheng	120	–	–	–	120
Poon Chiu	120	–	–	–	120
Wu Fengchun	120	–	–	–	120
	360	–	–	–	360
Total	360	3,220	–	24	3,604

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007: four) were directors of the Company whose emoluments are included in the disclosures in note 9. The emoluments of the remaining three (2007: one) individual were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other emoluments	**1,283**	520
Retirement scheme contributions	**36**	12
	1,319	532

The emoluments of the three (2007: one) individual with highest paid is within the following band:

	Number of individuals	
	2008	2007
HK$Nil – HK$1,000,000	**3**	1

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company includes loss of approximately HK$9,310,000 (2007: HK$16,252,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

13. (LOSS)/EARNING PER SHARE

a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of approximately HK$27,134,000 (2007: profit of approximately HK$54,387,000) and the weighted average number of ordinary shares of 2,236,345,176 (2007 (restated): 1,128,903,939) in issue during the year calculated as adjusted to reflect the share consolidation during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2008 has accounted for the effect of share consolidation and issuance of new shares pursuant to the open offer which were completed during the year ended 31 December 2008. The corresponding weighted average number of ordinary shares of 2007 has been retrospectively adjusted to reflect the effect.

b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share equals to the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding for both years.

14. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

	Property development		Property leasing		Investment holding*		Resort operation		Others		Consolidated	
	2008	2007	**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	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**53,050**	181,602	**10,872**	1,769	**–**	–	**–**	–	**2,192**	1,882	**66,114**	185,253
Other revenue	**36**	3,125	**–**	–	**238**	31	**–**	–	**315**	42	**589**	3,198
Total	**53,086**	184,727	**10,872**	1,769	**238**	31	**–**	–	**2,507**	1,924	**66,703**	188,451
Segment results	**523**	(20,746)	**4,845**	149,360	**(15,556)**	14,965	**(11,093)**	(8,802)	**412**	375	**(20,869)**	135,152
Interest income											**278**	44
(Loss)/profit from operations											**(20,591)**	135,196
Finance costs											**(4,833)**	(7,490)
(Loss)/profit before taxation											**(25,424)**	127,706
Income tax											**(471)**	(40,609)
(Loss)/profit for the year											**(25,895)**	87,097

* Investment holding is one of the Group's segments and, accordingly, the Group's non-current financial assets, and the corresponding income/expenses were included in segment assets and segment results respectively.

14. SEGMENT INFORMATION *(continued)*

a) Business segments *(continued)*

	Property development		Property leasing		Investment holding*		Resort operation		Others		Consolidated	
	2008	2007	**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	**HK$'000**	HK$'000
Segment assets	**13,989**	86,716	**334,093**	289,747	**88,677**	31,800	**1,242**	11,553	**15,827**	10,248	**453,828**	430,064
Unallocated corporate assets											**5,682**	–
Total assets											**459,510**	430,064
Segment liabilities	**(31,679)**	(91,678)	**(111,294)**	(81,691)	**(13,015)**	(67,341)	**(45)**	(43)	**(15)**	(6)	**(156,048)**	(240,759)
Unallocated corporate liabilities											**–**	(168,536)
Total liabilities											**(156,048)**	(409,295)
Other segment information:												
Capital expenditure	**6**	26,349	**720**	–	**1,244**	45	**2**	–	**745**	194	**2,717**	26,588
Depreciation and amortisation	**296**	318	**251**	–	**148**	132	**1,554**	2,118	**358**	288	**2,607**	2,856
Reversal of impairment losses on other receivables	**–**	(95)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(95)
Reversal of impairment losses on investment deposits *(note 6)*	**–**	–	**–**	–	**–**	(30,000)	**–**	–	**–**	–	**–**	(30,000)
Impairment losses on property, plant and equipment *(note 16)*	**–**	–	**–**	–	**–**	–	**9,409**	6,600	**–**	–	**9,409**	6,600
Impairment losses on trade receivables *(note 24)*	**–**	–	**–**	–	**–**	–	**–**	–	**–**	296	**–**	296
Valuation gain on investment properties *(note 17)*	**–**	–	**–**	(147,679)	**–**	–	**–**	–	**–**	–	**–**	(147,679)
Loss on disposal of property, plant and equipment, net	**–**	–	**–**	–	**(18)**	–	**–**	–	**102**	57	**84**	57
Write-off of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	61	**–**	61

* Investment holding is one of the Group's segments and, accordingly, the Group's non-current financial assets, and the corresponding income/expenses were included in segment assets and segment results respectively.

14. SEGMENT INFORMATION *(continued)*

b) Geographical segments

The following tables present revenue, segment assets and capital expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue to external customers	**–**	–	**66,114**	185,253	**66,114**	185,253
Carrying amount of segment assets	**88,677**	31,800	**370,833**	398,264	**459,510**	430,064
Capital expenditure	**1,244**	45	**1,473**	26,543	**2,717**	26,588

15. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	The Group	
	2008	2007
	HK$'000	HK$'000
Cost		
At 1 January	**7,639**	7,113
Exchange adjustments	**442**	526
At 31 December	**8,081**	7,639
Accumulated amortisation		
At 1 January	**1,775**	1,461
Exchange adjustments	**103**	108
Charge for the year	**218**	206
At 31 December	**2,096**	1,775
Carrying value		
At 31 December	**5,985**	5,864

The interests in leasehold land held for own use under operating leases represent land use rights. The Group's leasehold land is located in the mainland China – Binzhou and Nanzhang are held under medium-term leases and the land use rights are for a period of 50 and 20 years respectively.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Investment properties under development HK$'000	Total HK$'000
Cost							
At 1 January 2007	23,935	1,478	713	6,668	1,110	104,754	138,658
Exchange adjustments	1,723	–	–	425	89	7,747	9,984
Additions	99	–	–	495	–	24,290	24,884
Capitalisation of finance costs *(note 7(a))*	–	–	–	–	–	1,704	1,704
Written-off	–	–	–	(330)	–	–	(330)
Disposals	–	–	–	(156)	–	–	(156)
Transfer to investment properties *(note 17)*	–	–	–	–	–	(138,495)	(138,495)
At 31 December 2007	25,757	1,478	713	7,102	1,199	–	36,249
At 1 January 2008	25,757	1,478	713	7,102	1,199	–	36,249
Exchange adjustments	821	–	–	1,207	355	–	2,383
Acquisition of a subsidiary	–	–	–	–	1,074	–	1,074
Additions	163	–	–	691	789	–	1,643
Disposals	–	–	–	(389)	(162)	–	(551)
At 31 December 2008	26,741	1,478	713	8,611	3,255	–	40,798
Accumulated depreciation and impairment							
At 1 January 2007	6,624	1,478	713	4,009	534	–	13,358
Exchange adjustments	449	–	–	283	45	–	777
Charge for the year	1,211	–	–	1,200	239	–	2,650
Written off	–	–	–	(269)	–	–	(269)
Written back on disposals	–	–	–	(95)	–	–	(95)
Impairment loss	6,600	–	–	–	–	–	6,600
At 31 December 2007	14,884	1,478	713	5,128	818	–	23,021
At 1 January 2008	14,884	1,478	713	5,128	818	–	23,021
Exchange adjustments	275	–	–	1,176	206	–	1,657
Charge for the year	1,308	–	–	636	445	–	2,389
Written back on disposals	–	–	–	(267)	(119)	–	(386)
Impairment loss	9,409	–	–	–	–	–	9,409
At 31 December 2008	25,876	1,478	713	6,673	1,350	–	36,090
Carrying value							
At 31 December 2008	865	–	–	1,938	1,905	–	4,708
At 31 December 2007	10,873	–	–	1,974	381	–	13,228

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment loss

One of the Company's subsidiary established in mainland China has reported continuing losses from its resort operation and its future profitability remains uncertain, thus giving rise to an indication that the carrying amount of the relevant buildings held for own use may be impaired. As a result, the Group assessed the recoverable amount of these buildings.

As at 31 December 2008, such buildings having carrying amount of approximately RMB8,299,000 (approximately HK$9,409,000) (2007: RMB15,534,000 (approximately HK$16,649,000)) was valued at approximately RMBNil (2007: RMB9,376,000 (approximately HK$10,049,000)) on the depreciated replacement cost valuation approach. Accordingly, the carrying amount of the buildings held for own use was written down by approximately HK$9,409,000 (2007: HK$6,600,000).The valuation was carried out by an independent firm of surveyors, Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

Buildings held for own use are situated in mainland China and are held under medium-term leases.

Fixed assets held under finance leases

The Group leases a motor vehicle under finance leases expiring in five years. At the end of the lease term the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At the balance sheet date, the carrying value of motor vehicles held under finance leases of the Group was HK$1,024,000 (2007: HK$Nil).

17. INVESTMENT PROPERTIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Fair value		
At 1 January	**286,174**	–
Transfer from property, plant and equipment *(note 16)*	**–**	138,495
Fair value adjustment	**–**	147,679
Exchange adjustments	**16,547**	–
At 31 December	**302,721**	286,174

17. INVESTMENT PROPERTIES *(continued)*

All investment properties of the Group 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 valuation was carried out by an independent firm of surveyors, Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of property being valued.

Investment properties are situated in mainland China and are held under medium-term leases.

The Group leases out its investment properties under operating leases. The leases run for a period of ten years with a single tenant beginning from 30 October 2007 to 29 January 2018. Lease payments are usually increased once every one to four years to reflect market rentals. None of the leases includes contingent rentals.

All of the Group's properties held under operating leases to earn rentals are measured using the fair value model and are classified as investment properties. The investment properties were pledged to secure the Group's bank loans of HK$57,115,000 (2007: Nil) (note 28) as at 31 December 2008.

The Group's total future minimum lease receipts under non-cancellable operating leases are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year	**18,141**	8,039
After 1 year but within 5 years	**73,129**	67,524
After 5 years	**81,633**	94,855
	172,903	170,418

18. INVESTMENT IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares at cost	**633,132**	633,132
Amounts due from subsidiaries *(note (a))*	**465,356**	433,929
	1,098,488	1,067,061
Less: Impairment losses *(note (b))*	**(699,441)**	(699,441)
	399,047	367,620

18. INVESTMENT IN SUBSIDIARIES *(continued)*

Note:

a) Amounts due from subsidiaries are unsecured, interest free and are not expected to be recovered within one year.

b) In prior years, the carrying amount of cost of investment in subsidiaries and the amounts due from subsidiaries was written down by approximately HK$556,258,000 (2007: HK$556,258,000) and HK$143,183,000 (2007: HK$143,183,000) respectively through the recognition of impairment losses. After considering the poor operating performance of the relevant subsidiaries, the directors are of the opinion that the impairment losses should not be reversed in the current year.

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

Name	Place of incorporation/ registration and operations	Particular of issued and fully paid capital/ registered capital	Percentage of interest attributable to the Company		Principal activities
			Directly	Indirectly	
Dynamic Global Development Limited	Hong Kong	HK$4 *(note (iv))*	–	100	Investment holding
Fairyoung Port Investments (Holdings) Limited	British Virgin Islands/ Hong Kong	US$299	–	100	Investment holding
Fairyoung (Shanghai) Properties Limited *(note (i))*	Mainland China	US$12,000,000	–	100	Property development
Binzhou Huifeng Sanwei Co., Ltd. *(note (ii))*	Mainland China	US$1,250,000	–	51	Trading of consumables
Harbin Dynamic Global Property Co., Ltd. *(note (ii))*	Mainland China	RMB65,000,000	–	70	Property development
南漳水鏡湖度假村酒店有限責任公司 *(note (i))*	Mainland China	HK$4,000,000	–	100	Resort operation
Liberal Supply Limited	British Virgin Islands	US$1	100	–	Investment holding
Softech Limited	British Virgin Islands	US$1	100	–	Investment holding
Fortune Target Limited	British Virgin Islands	US$100	100	–	Investment holding
Fortune House Worldwide Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Winford Asia Pacific Limited	Hong Kong	HK$1	100		Investment holding
哈爾濱環球動力科技實業有限公司 *(note (ii) and (v))*	Mainland China	RMB68,398,563/ RMB338,000,000	–	98.67	Investment holding
哈爾濱環球動力商貿有限公司 *(iii)*	Mainland China	RMB1,000,000	–	98.67	Trading of consumables

18. INVESTMENT IN SUBSIDIARIES *(continued)*

Note:

i) Wholly foreign-owned enterprise registered in mainland China

ii) Sino-foreign equity joint venture registered in mainland China

iii) Limited liability company established in mainland China

iv) The issued share capital of Dynamic Global Development Limited comprises two voting ordinary shares of HK$1 each and two non-voting deferred shares of HK$1 each.

v) 哈爾濱環球動力科技實業有限公司, a non-wholly owned subsidiary, was formed on 19 December 2007 with registered capital of RMB50,000,000. The registered capital was increased to RMB338,000,000 during the year. According to the Sino-foreign investment contract RMB18,398,563 was injected on 8 May 2008 and a further capital injection of RMB269,601,437 should be made on or before 12 May 2010.

19. INTEREST IN ASSOCIATES

	The Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**–**	–
Amounts due from associates	**3,254**	3,254
	3,254	3,254
Less: Impairment losses on amounts due from associates	**(3,254)**	(3,254)
	–	–

19. INTEREST IN ASSOCIATES *(continued)*

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

In prior years, the carrying amounts was written down to nil through the sharing of their losses and the recognition of impairment losses. After considering the poor operating performance, the directors are of the opinion that no impairment should be reversed in the current year.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

Name	Form of business structure	Place of incorporation registration and operations	Percentage of interest attributable to the Group Directly	Percentage of interest attributable to the Group Indirectly	Principal activities
Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn") #	Sino-foreign owned enterprise	Mainland China	–	27.3%	Application service provider
Golden Yield Enterprises Limited ("Golden Yield")	Incorporated	British Virgin Islands	–	39%	Investment holding

Beijing Zotn is a 70%-owned subsidiary of Golden Yield.

As financial results of the associates are immaterial to the Group, accordingly, no disclosure is considered necessary.

20. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment in unlisted equity securities:				
At cost				
– in Hong Kong	**10,000**	10,000	**5,000**	5,000
– outside Hong Kong	**24,500**	24,500	**24,500**	24,500
	34,500	34,500	**29,500**	29,500
Less: Impairment loss	**(34,500)**	(34,500)	**(29,500)**	(29,500)
	–	–	**–**	–

In prior years, the carrying amounts of investments in unlisted equity securities was written down to nil through the recognition of impairment losses. After considering the poor operating performance of these investee companies, the directors are of the view that no impairment should be reversed in the current year.

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

	Note	The Group 2008 HK$'000	2007 HK$'000
Deposit for acquisition of additional interest in a subsidiary	(a)	**11,351**	–
Deposit for acquisition of a subsidiary	(b)	**10,000**	–
		21,351	–

Note:

a) On 24 November 2008, the Group entered into an agreement with Zhuhai Rongye Technology Development Limited, the minority shareholder of a 70% owned subsidiary, namely Harbin Dynamic Global Property Co., Ltd. ("Harbin Dynamic") to acquire its 30% equity interest in Harbin Dynamic at a consideration of HK$51,000,000 (approximately RMB44,931,000). As at 31 December 2008, a deposit of approximately HK$11,351,000 (amounted to RMB10,000,000) was paid by the Group. The unpaid consideration of HK$39,649,000 is disclosed as capital commitment in note 38(b).

Subsequent to the balance Sheet date, the acquisition was completed on 8 April 2009, and Harbin Dynamic became a wholly-owned subsidiary of the Group upon completion of the acquisition.

b) On 11 December 2008, the Group entered into an acquisition agreement with an independent third party, Zhuhai City Guo Xiang Investment and Consultancy Limited, to acquire 100% issued capital of Zhuhai City Xiang Quan Hotel Company Limited ("Xiang Quan Hotel") and the Sale Loan amounting to approximately RMB46,936,000 (equivalent to about HK$53,035,000) for a consideration of HK$50,000,000. The acquisition is expected to be completed on or before 30 June 2009.

As at 31 December 2008, an initial deposit of RMB8,850,000 (equivalent to about HK$10,000,000) was paid by the Group. The remaining balance of HK$8,000,000 will be paid in cash upon completion; HK$22,000,000 will be satisfied by issue of shares (comprising 3,725,881,356 new shares to be issued at the price of HK$0.059 per share); a retention money amounted to HK$10,000,000 will be paid after occurrence of any one of the following two events: (i) all the necessary procedures on the mortgage of the three shops of number 6, 7 and 8 located at 116 Xiangtu Road, Xiang Zhou, Zhuhai City in favour of the purchaser have been duly completed; or (ii) the contractor has completed all the obligation under the Management Agreement, provided that in all events the payment shall be made on a date at least two years after the date of Acquisition Agreement. As at the report date, the above events had not yet fully fulfilled.

On 19 January 2009, the Group entered into a revised acquisition agreement for the acquisition of Xiang Quan Hotel whereby the total consideration was adjusted to HK$46,929,000 (equivalent to RMB41,392,000). The unpaid consideration of HK$36,929,000 is disclosed as capital commitment in note 38(b).

22. LONG TERM OTHER RECEIVABLE

On 3 December 2008, the Group entered into an agreement (the "Agreement") with Unionpay Digital Investment Limited ("Unionpay") (銀聯數碼投資有限公司), an independent third party, for exploration of a telephone smartcard business (the "Project") in PRC. Pursuant to the supplementary agreement signed on 8 April 2009, the Group has to contribute RMB10,000,000 ("Contribution") for the Project and the first payment of RMB5,000,000 shall be made upon signing of the Agreement. The second and last payments of RMB3,000,000 and RMB2,000,000 shall be made within 270 and 365 days from the date of the Agreement.

According to the Agreement, Unionpay shall return the Contribution to the Group within two years from the date of the Agreement. If Unionpay does not return the Contribution to the Group, Unionpay shall pay the Group compensation equals to 10% of the Contribution.

23. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Completed properties held for sales	**358**	41,181
Consumables	**2,865**	683
	3,223	41,864

The completed properties held for sales are situated in mainland China and held under medium-term leases.

24. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables	(a)(i)	**9,603**	7,719	**–**	–
Less: allowance for doubtful debts	(a)(ii)	**(278)**	(296)	**–**	–
		9,325	7,423	**–**	–
Due from a former director	(b)	**–**	20,000	**–**	–
Other receivables		**11,140**	11,770	**–**	–
Loans and receivables		**20,465**	39,193	**–**	–
Prepayment and deposits		**11,764**	6,300	**489**	533
		32,229	45,493	**489**	533

All the trade and other receivables are expected to be recovered within one year.

a) Trade receivables

i) Ageing analysis

Trade receivables are mainly arisen from sales of properties; customers are generally granted credit terms of one to three months for sales of properties. Trading terms with customers are largely on credit. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Trade receivables are net of allowance for doubtful debts of HK$278,000 (2007: HK$296,000) with the following age analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	HK$'000
Aged:		
Within 3 months	**7,202**	6,658
More than 3 months but less than 6 months	**63**	120
More than 6 months but less than 1 year	**2,060**	645
	9,325	7,423

24. TRADE AND OTHER RECEIVABLES *(continued)*

a) Trade receivables *(continued)*

i) *Ageing analysis* ***(continued)***

As at 31 December 2008 and 31 December 2007, all the trade receivables were denominated in RMB.

ii) *Impairment of trade receivables*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 3(j)).

Movements in the allowance for doubtful debts

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**296**	–
Impairment loss recognised *(note 1)*	**–**	296
Uncollectible amounts written off *(note 2)*	**(18)**	–
At 31 December	**278**	296

Note:

1) As at 31 December 2008, trade receivables of the Group amounting to HK$278,000 (2007: HK$296,000) were individually determined to be impaired and full provisions had been made. These individually impaired receivables were either outstanding for over 365 days as at the balance sheet date or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

2) Approximately HK$18,000 of the trade receivables previously provided for was written off in 2008 due to the Group lost contact with the customer.

Trade receivables are due within 30 days from the date of billing. Further details on the Group's credit policy is set out in note 36(a).

24. TRADE AND OTHER RECEIVABLES *(continued)*

a) Trade receivables *(continued)*

iii) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**–**	–
Pass due but not impaired		
Less than 1 month past due	**7,202**	6,658
3 to 12 months past due	**2,123**	765
	9,325	7,423

Receivables that were neither past due nor impaired relate to a wide range of buyers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

b) Due from a former director

The amount was unsecured, interest free and fully settled in January 2008.

25. ACQUISITION OF A SUBSIDIARY

On 5 November 2008, the Group acquired 100% of the issued share capital of Winford Asia Pacific Limited, a company in which has a common director with the Group, for a consideration of HK$1. The acquisition would save cost for the Group in the long run and would be in the commercial interest of the Group and its shareholders as a whole. The total consideration of HK$1 was satisfied by cash. The negative goodwill of approximately HK$96,000 arisen from the acquisition and has been credited to the income statement (note 6).

The acquisition had the following effect on the Group's assets and liabilities.

The acquired subsidiary's net assets at the acquisition date:

	Carrying amounts HK$'000	**Fair value adjustments** HK$'000	**Recognised values** HK$'000
Motor vehicle	1,074	–	1,074
Prepayment and deposits	53	–	53
Cash and cash equivalents	170	–	170
Other payables and accruals	(193)	–	(193)
Finance lease payable	(1,008)	–	(1,008)
	96	–	96
Negative goodwill *(note 6)*			(96)
Total consideration			–
Satisfied by:			
Cash consideration			–*
Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiary			
Total consideration settled in cash			–
Cash and cash equivalents in subsidiary acquired			170
			170

* Total consideration of the acquisition was HK$1.

For the two months ended 31 December 2008, the acquired subsidiary contributed a net loss of HK$65,000 to the consolidated net loss of the Group for the year ended 31 December 2008. Had the acquisition occurred on 1 January 2008, the Group's revenue and consolidated loss of the Group for the year ended 31 December 2008 would have been HK$66,554,000 and HK$25,779,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

26. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED BANK BALANCES

		The Group		The Company	
		2008	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank balances	(a)	**2,274**	377	**–**	–
Restricted bank balances	(b)	**657**	2,321	**–**	–
Cash at bank and on hand		**80,680**	34,743	**53,262**	–
Total cash and bank balances		**83,611**	37,441	**53,262**	–
Less: Pledged and restricted bank balances		**(2,931)**	(2,698)	**–**	–
Cash and cash equivalents in the balance sheet and cash flow statements		**80,680**	34,743	**53,262**	–

(a) The pledged bank balances of approximately HK$2,274,000 was pledged under the term on secured bank loan (note 28).

(b) The restricted bank balances represented bank balances frozen by the court due to the legal case with 225 buyers as disclosed in note 33(ii).

(c) At 31 December 2008, the balances that were placed with banks in the mainland China amounted to HK$28,341,000 (2007: HK$4,128,000). Remittance of funds out of the mainland China is subject to the exchange restrictions imposed by the mainland China government.

27. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**34,456**	37,768	**–**	–
Other payables and accrued charges		**16,199**	49,988	**2,076**	37,044
Deposits received on sale of properties		**97**	19,012	**–**	–
Rental deposits received		**–**	2,680	**–**	–
Rental received in advance		**5,113**	4,662	**–**	–
Due to a minority shareholder	(b)	**–**	3,707	**–**	–
Due to a subsidiary of the Company's substantial shareholder	(c)	**–**	84,591	**–**	84,591
Amounts due to subsidiaries		**–**	–	**132,814**	140,466
Financial liabilities measured at amortised cost		**55,865**	202,408	**134,890**	262,101

a) Trade payables

The ageing analysis of trade payables is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**–**	2,958
More than 3 months but less than 6 months	**–**	688
More than 6 months but less than 1 year	**124**	973
More than 1 year but less than 2 years	**5,360**	22,707
More than 2 years	**28,972**	10,442
	34,456	37,768

27. TRADE AND OTHER PAYABLES *(continued)*

b) Due to a minority shareholder

As at 31 December 2007, the amount due to a minority shareholder was unsecured, interest-free and repayable within one year.

c) Due to a subsidiary of the Company's substantial shareholder

As at 31 December 2007, the amount was unsecured, borne interest at prime rate of 6.75% and repayable within one year.

On 17 April 2008, the Company and Madex Holdings Limited (Madex Holdings), a subsidiary of the Company's substantial shareholder entered into a loan agreement in relation for a loan facility of HK$60,000,000. Madex Holdings made additional advance of approximately HK$44,108,000 under the loan agreement to the Group and the Group made repayments of approximately HK$18,744,000 to Madex Holdings during the year ended 31 December 2008.

Madex Holdings had entered into various separate debt assignments with the Company, Harbin Dynamic, a minority shareholder and an unrelated third party. Pursuant to these debt assignments, a net debt of approximately HK$33,315,000 had been assigned to Madex Holdings.

On 7 July 2008, the Company entered to a loan capitalization agreement (varied by two supplemental agreements dated 18 July 2008 and 11 August 2008) with Madex Holdings to settle the total outstanding loan and interest of approximately HK$145,367,000. Pursuant to the loan capitalization agreement, the Company issued and allotted approximately 1,211,394,000 shares at HK$0.12 per share to settle the outstanding balances.

28. SECURED BANK LOANS

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

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year or on demand	**7,370**	–	**–**	–
After 1 year but within 2 years	**7,370**	–	**–**	–
After 2 years but within 5 years	**22,109**	–	**–**	–
After 5 years	**20,266**	–	**–**	–
	49,745	–	**–**	–
	57,115	–	**–**	–

In 2008, the Group entered into a loan agreement with a bank for facilities amounting to approximately HK$58,960,000 (equivalent to approximately RMB52,000,000) (2007: HK$Nil). Such bank loan was secured by pledging the Group's investment properties and bank balances amounting to approximately HK$302,721,000 (note 17) and HK$2,274,000 (note 26) respectively.

29. NON-INTEREST BEARING BORROWINGS

The Group and the Company

As at 31 December 2007, the amount was unsecured and due for repayment in July 2008.

During the year ended 31 December 2008, the Group settled (i) the loan of approximately HK$25,723,000 by cash and (ii) the loan of approximately HK$12,800,000 (together with the interest-bearing borrowings of HK$29,700,000 as disclosed in note 30) by means of issuing and allotting to the loan creditor of approximately 314,348,000 shares at HK$0.1352 per share. The remaining balance had been assigned to Madex Holdings under the debt assignments dated 30 April 2008 and 16 June 2008.

30. INTEREST-BEARING BORROWINGS

The analysis of interest-bearing borrowings is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other loans, unsecured:				
At 1 January	**83,945**	81,804	**52,862**	52,862
Settled by share allotment and capitalising of issuing and allotting of new shares	**(29,700)**	–	**(52,862)**	–
Repayment	**(26,077)**	–	**–**	–
Assigned to Madex Holdings	**(29,965)**	–	**–**	–
Exchange adjustment	**1,797**	2,141	**–**	–
At 31 December	**–**	83,945	**–**	52,862

As at 31 December 2007, the loans granted to the Group by independent loan lenders of RMB29,000,000 (approximately HK$31,083,000) borne interest at 6.58% per annum; HK$23,162,000 borne interest at prime rate of 6.75% per annum; and HK$29,700,000 borne interest at prime rate of 6.75% per annum.

During the year ended 31 December 2008, the Group settled (i) the loan of approximately HK$26,077,000 by cash and (ii) the loan of HK$29,700,000 (together with the non-interest bearing borrowings of approximately HK$12,800,000 as disclosed in note 29) by means of issuing and allotting to the loan creditor of approximately 314,348,000 shares at HK$0.1352 per share. The remaining balance had been assigned to Madex Holdings under the debt assignments dated 30 April 2008.

31. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2008, the Group had obligations under finance leases repayable as follows:

	The Group			
	2008		2007	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	**310**	**371**	–	–
After 1 year but within 2 years	**310**	**371**	–	–
After 2 years but within 5 years	**336**	**402**	–	–
	646	**773**	–	–
	956	**1,144**	–	–
Less: Total future interest expenses		**(188)**		–
Present value of lease obligations		**956**		–

The finance lease is guaranteed by a director with a maximum principal amount guaranteed of HK$1,550,000.

32. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

a) Current taxation payable/(recoverable) in the consolidated balance sheet represents:

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**505**	(2,728)
Exchange adjustment	**30**	(202)
Provision for the year – PRC Enterprise Income tax	**939**	3,435
Over-provision in prior years	**(468)**	–
At 31 December	**1,006**	505

b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group Revaluation of investment properties	
	2008	2007
	HK$'000	HK$'000
At 1 January	**37,174**	–
Charged to income statement	**–**	37,174
Exchange adjustment	**2,149**	–
At 31 December	**39,323**	37,174

c) Deferred tax assets not recognised:

The Group has tax losses arising in Hong Kong and mainland China of approximately HK$125,541,000 (2007: HK$109,405,000) and HK$27,117,000 (2007: HK$18,626,000) respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses arising in mainland China are available for offsetting against future five years taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as these companies have been incurring losses for some years.

33. PROVISIONS

The movements of the provisions are as follows:

		The Group		
	Note	Provision for legal claims HK$'000	Provision for compensations HK$'000	Total HK$'000
At 1 January 2007		24,548	9,987	34,535
Exchange adjustments		1,815	738	2,553
Additional provision for the year				
– compensation for breach of pre-sale contracts	(ii)	7,617	2,650	10,267
– compensation for late payment	(i)	1,884	–	1,884
Waiver of certain claims and compensations	(ii)	(1,498)	(1,486)	(2,984)
Settlements made	(ii)	(6,141)	(7,258)	(13,399)
At 31 December 2007	(iii)	28,225	4,631	32,856
At 1 January 2008		28,225	4,631	32,856
Exchange adjustments		1,523	268	1,791
Reversal of provision on compensation for late payment	(i)	(1,884)	–	(1,884)
Waiver of certain claims and compensations	(ii)	(948)	(233)	(1,181)
Settlements made	(ii)	(26,916)	(2,883)	(29,799)
At 31 December 2008	(iii)	–	1,783	1,783

33. PROVISIONS *(continued)*

i) In January 2004, a subsidiary of the Group (the "Subsidiary") signed a pre-sale agreement (the "Pre-Sale Agreement") with a buyer (the "Buyer") to sell 25 units of properties under development for sale in Shanghai for a total sum of approximately RMB50,000,000 (approximately HK$48,077,000). A deposit of approximately RMB20,000,000 (approximately HK$19,231,000) was received by the Subsidiary. The amount was recorded in the consolidated balance sheet. However, the Buyer was unable to arrange bank financing to pay the balance of consideration of approximately RMB30,000,000 (approximately HK$28,846,000). As such, the Buyer informed the Subsidiary to terminate the Pre-Sale Agreement and requested the Subsidiary to refund the said deposit. The Subsidiary had not refunded the deposits but demanded the Buyer to pay the balance of consideration. As a result, the Buyer commenced legal action against the Subsidiary.

On 11 November 2004, a judgement in favour of the Buyer was made by a court in mainland China. According to the judgement, the Subsidiary was required to refund the deposits and make a compensation of approximately RMB3,502,000 (approximately HK$3,304,000) to the Buyer. The Subsidiary filed an appeal with the Shanghai People's Supreme Court (上海市高級人民法院). However, on 24 February 2005, the Supreme Court affirmed the judgement made by the lower court. Therefore, a provision of RMB3,502,000 (approximately HK$3,304,000) was made in 2004. The subsidiary has not paid the compensation on 23 December 2005, properties under development for sale with a gross area of 1,433.17 square metres were seized by the court for forcesale at a consideration of RMB7,000,000 (approximately HK$6,986,000) for purpose of paying to the Buyer the compensation. The said properties were sold. Upon completion of the transaction in 2006, provision for legal claims and other payables and accruals amounted to RMB3,502,000 (approximately HK$3,304,000) and RMB3,010,000 (approximately HK$2,895,000) respectively were deducted directly from this consideration.

On 28 August 2006, the Subsidiary received a claim of overdue interest amounted to approximately RMB1,758,000 on late payments made by the Subsidiary to the Buyer. A judgement in favour of the Buyer was made by Shanghai Pudong District People's Supreme Court (上海市浦東新區人民法院). The court ordered to seize the bank balance or equivalent assets of the Subsidiary amounted to approximately RMB1,758,000. On 21 September 2006, two residential units with a gross area of 315.08 square metres were seized by the Buyer.

On 29 December 2006, the Buyer filed further claim against the Company according to the judgement on 28 August 2006. Due to the subsidiary was agreed to refund the claim to the Buyer. The claim was turned down by the court. As at 31 December 2007, provision for legal claims of approximately RMB1,758,000 (approximately HK$1,884,000) was made.

On 13 March 2007, the Buyer filed an appeal with the Shanghai No. 1 Intermediate People's Court (上海市第一中級人民法院). The judgement was remained unchanged. Since the judgement was passed a year with the claim turned down by the court. The provision for legal claims of approximately RMB1,758,000 (approximately HK$1,884,000) was reversed in 2008.

33. PROVISIONS *(continued)*

ii) A subsidiary of the Company in mainland China (the "Subsidiary") entered into contracts ("Pre-sale Contracts") with buyers since 2003 for pre-sale of its properties under development for sale (the "Properties"). According to the terms of the Pre-sale Contracts, if the Properties were not assigned to the buyers on or before 31 December 2004, the buyers were eligible for compensations at the rate of 0.02% per day on deposits paid as from 1 January 2005 until the properties are assigned to the buyers.

During 2005, 130 buyers took legal actions against the Subsidiary for compensations. Accordingly, provision for legal claims of the 130 buyers and provision for compensations for the rest of all other buyers in accordance with the terms of the Pre-sale Contracts amounted respectively to approximately RMB10,521,000 (approximately HK$10,116,000) and RMB14,264,000 (approximately HK$13,714,000) were made in 2005.

During 2006, the Group settled the claims for the 130 buyers as mentioned above by payment of RMB10,521,000 (approximately HK$10,116,000). During 2006, 225 buyers took legal actions to claim against the Subsidiary for the compensations. Accordingly, RMB7,282,000 (approximately HK$7,002,000) was reclassified from provision for compensations to provision for legal claims. Since the Properties have not been assigned to these 225 buyers as at 31 December 2006, additional provision for legal claims amounting to RMB17,315,000 (approximately HK$17,280,000) was made.

On the other hand, RMB2,073,000 (approximately HK$1,992,000) have been paid for the provision for compensations in 2006. Since the Properties have not assigned to the buyers as at 31 December 2006, additional provision for compensations amounting to RMB5,098,000 (approximately HK$5,088,000) was accounted for.

During 2007, the Group settled the claims for the 225 buyers as mentioned above by payment of RMB5,729,000 (approximately HK$6,141,000). The Properties were completed and assigned to buyers on 23 May 2007. Additional provision for legal claims up to 23 May 2007 amounting to RMB7,106,000 (approximately HK$7,617,000) was made. During 2007, the Group signed resolution agreements with some buyers and part of legal claim in aggregate amount of approximately RMB1,398,000 (approximately HK$1,498,000) was waived according to the resolution agreements.

On the other hand, RMB6,772,000 (approximately HK$7,258,000) have been paid for the provision for compensations in 2007. The Properties were completed in 2007 and assigned to buyers on 23 May 2007. Additional provision for compensation up to 23 May 2007 amounting to RMB2,472,000 (approximately HK$2,650,000) was made. During 2007, the Group signed resolution agreements with some buyers and part of the compensation in aggregate amount of approximately RMB1,387,000 (approximately HK$1,486,000) was waived according to the resolution agreements.

33. PROVISIONS *(continued)*

ii) ***(continued)***

During 2008, the Group settled the claims for the 225 buyers as mentioned above by payment of approximately RMB23,740,000 (approximately HK$26,916,000). Since the Group signed resolution agreements with some buyers and part of legal claim in aggregate amount of approximately RMB837,000 (approximately HK$948,000) was waived according to the resolution agreements.

During the current year, approximately RMB2,542,000 (approximately HK$2,883,000) have been paid for the provision for compensations. Since the Group signed resolution agreements with some buyers and part of legal claim in aggregate amount of approximately RMB206,000 (approximately HK$233,000) was waived according to the resolution agreements.

iii) All legal and professional fees in relation to the legal claims as mentioned above in note 33(i) to 33(ii) have been properly accounted for in the financial statements of the current year.

34. SHARE CAPITAL

	Note	2008 No. of shares	2008 Amount HK$'000	2007 No. of shares	2007 Amount HK$'000
Ordinary shares of HK$0.1 each at 1 January 2008 and HK$0.05 each at 31 December 2008					
Authorised ordinary share capital					
At 1 January		**4,000,000,000**	**400,000**	4,000,000,000	400,000
Increase during the year	(a)	**26,000,000,000**	**2,600,000**	–	–
		30,000,000,000	**3,000,000**	4,000,000,000	400,000
Share consolidation	(d)	**(15,000,000,000)**	**–**	–	–
Share subdivision	(f)	**45,000,000,000**	**–**	–	–
At 31 December		**60,000,000,000**	**3,000,000**	4,000,000,000	400,000
Issued and fully paid ordinary share capital					
At 1 January		**3,010,410,504**	**301,041**	3,010,410,504	301,041
Issue of new shares	(b) & (c)	**602,082,000**	**60,208**	–	–
		3,612,492,504	**361,249**	3,010,410,504	301,041
Share consolidation	(d)	**(1,806,246,252)**	**–**	–	–
Capital reduction	(e)	**–**	**(270,937)**	–	–
Share after capital reduction		**1,806,246,252**	**90,312**	3,010,410,504	301,041
Open offer	(g)	**1,806,246,252**	**90,313**	–	–
At 31 December		**3,612,492,504**	**180,625**	3,010,410,504	301,041

34. SHARE CAPITAL *(continued)*

Note:

(a) On 9 September 2008, the authorised share capital of the Company be increased from HK$400,000,000 (divided into 4,000,000,000 ordinary shares of HK$0.10 each) to HK$3,000,000,000 (divided into 30,000,000,000 ordinary shares of HK$0.10 each) by the creation of 26,000,000,000 new shares of HK$0.10 each, which upon issue shall rank pari passu in all respects with the existing shares (the "Increase in Authorised Share Capital").

(b) The Company entered into two conditional subscription agreements (with subsequent supplement agreements) with two subscribers on 12 December 2007 and 14 December 2007 respectively. According to the subscription agreements, the two subscribers agreed to subscribe for an aggregate of 287,734,000 shares at a subscription price of HK$0.13521 per share in an aggregate amount of HK$38,904,514. The shares were allotted to the two subscribers on 28 January 2008 and 29 February 2008 respectively.

(c) On 12 December 2007, the Company also entered into a conditional loan settlement agreement with a loan creditor, pursuant to which the loan would be settled in full by capitalising the loan (the principal amount together with accrued interest up to the date of agreement amounted to HK$42,499,850) into the capital of the Company by means of issuing and allotting 314,348,000 shares at a price of HK$0.1352 per share to the loan creditor. The shares were allotted on 28 January 2008.

(d) Subject to the Increase in Authroised Share Capital becoming effective on 9 September 2008 (the "Effective Date"), the share consolidation was implemented by consolidation of every two issued and unissued shares of HK$0.10 each in the share capital of the Company into one consolidated share of HK$0.20 each (the "Consolidated Share") in the share capital of the Company (the "Share Consolidation").

(e) Subject to and forthwith upon the Share Consolidation taking effect, the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK$0.15 on each issued Consolidated Share on the Effective Date such that the nominal value of all the issued Consolidated Shares will be reduced from HK$0.20 to HK$0.05 each (the "New Shares") (the "Capital Reduction").

(f) Subject to the Capital Reduction becoming effective, each of the authorized but unissued Consolidated Share of HK$0.20 each in the share capital of the Company will be subdivided into four New Shares of HK$0.05 each.

(g) The allotment and issue by way of open offer (the "Open Offer") of 1,806,246,252 New Shares of HK$0.05 each in the capital of the Company upon the Capital Reorganisation becoming effective to those shareholders of the Company at a price of HK$0.12 per share. Under the terms of the Open Offer, the consideration for 1,211,394,433 New Shares of approximately HK$145,367,000 was paid up by capitalisation of the loan of approximately HK$145,367,000 due to Madex Holdings (note 27(c)) and the consideration for the remaining New Shares under the Open Offer was paid in cash.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts (which mainly include trade and other payables, secured bank loans, non-interest bearing borrowings, interest-bearing borrowings and obligation under finance leases as disclosed in notes 27 to 31 respectively), cash and cash equivalents and equity attributable to equity holders of the Company (which comprises issued share capital and reserves).

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group's overall strategy remains unchanged from prior year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

35. RESERVES AND MINORITY INTERESTS

The Group

	Attributable to equity shareholders of the Company							
	Share premium HK$'000	**Capital reserve** HK$'000	**Capital redemption reserve** HK$'000	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2007	63,528	222,194	52	11,689	(695,587)	(398,124)	21,650	(376,474)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	7,454	–	7,454	1,651	9,105
Profit for the year	–	–	–	–	54,387	54,387	32,710	87,097
At 31 December 2007	63,528	222,194	52	19,143	(641,200)	(336,283)	56,011	(280,272)
At 1 January 2008	63,528	222,194	52	19,143	(641,200)	(336,283)	56,011	(280,272)
Issue of shares *(note 34(b) and (c))*	21,196	–	–	–	–	21,196	–	21,196
Capital reduction	–	270,937	–	–	–	270,937	–	270,937
Share premium cancellation *(note (i))*	(84,724)	84,724	–	–	–	–	–	–
Share issued under open offer *(note (34(g))*	126,437	–	–	–	–	126,437	–	126,437
Expenses for issue of shares	(2,260)	–	–	–	–	(2,260)	–	(2,260)
Elimination of accumulated losses *(note (iii))*	–	(577,855)	–	–	577,855	–	–	–
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	9,417	–	9,417	3,277	12,694
Loss for the year	–	–	–	–	(27,134)	(27,134)	1,239	(25,895)
At 31 December 2008	124,177	–	52	28,560	(90,479)	62,310	60,527	122,837

35. RESERVES AND MINORITY INTERESTS *(continued)*

The Company

	Share premium HK$'000	Contributed surplus reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	63,528	337,613	52	(654,658)	(253,465)
Loss for the year	–	–	–	(16,252)	(16,252)
At 31 December 2007	63,528	337,613	52	(670,910)	(269,717)
At 1 January 2008	63,528	337,613	52	(670,910)	(269,717)
Issue of shares *(note 34(b) and (c))*	21,196	–	–	–	21,196
Capital reduction	–	270,937	–	–	270,937
Share premium cancellation *(note (i))*	(84,724)	84,724	–	–	–
Elimination of accumulated losses *(note (iii))*	–	(577,855)	–	577,855	–
Share issued under Open Offer *(note (34(g))*	126,437	–	–	–	126,437
Expenses for issue of shares	(2,260)	–	–	–	(2,260)
Loss for the year	–	–	–	(9,310)	(9,310)
At 31 December 2008	124,177	115,419	52	(102,365)	137,283

Note:

(i) The Share Premium Cancellation will involve the cancellation of the entire amount standing to the credit of the share premium account of the Company as at 18 July 2008, which balance was HK$84,724,404.

(ii) Upon completion of the Capital Reorganisation, the authorised share capital of the Company will be HK$3,000,000,000 represented by 60,000,000,000 New Shares and the issued share capital of the Company will be approximately HK$90,312,313 represented by 1,806,246,252 New Shares.

The allotment and issue by way of the Open Offer of 1,806,246,252 new shares of HK$0.05 each at a price of HK$0.12 per share.

(iii) The credit amount arising from the Capital Reduction and the Share Premium Cancellation be transferred to the contributed surplus account of the Company and a sum of approximately HK$577,855,000 in the contributed surplus account of the Company be applied to set off against the accumulated losses of the Company which amounted to approximately HK$577,855,000 as at 31 December 2007.

35. RESERVES AND MINORITY INTERESTS *(continued)*

Nature and purpose of reserves

a) *Share premium*

The application of the share premium account reserve is governed by section 40 of the Companies Act 1981 of Bermuda.

b) *Capital reserve*

The capital reserve mainly arose from the Group Reorganisation in 1989 (HK$71,064,000) and transfer from share premium account as a result of Group Reorganisation in 1989 (HK$158,741,000).

c) *Capital redemption reserve*

The capital redemption reserve of HK$52,000 arose in the year ended 31 December 1997 as a result of repurchases of 524,000 shares at a total consideration of HK$1,079,000 and the transfer of approximately HK$52,000 from retained earnings to the said reserve.

d) *Exchange reserve*

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 3(t).

e) *Contributed surplus reserve*

The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

f) *Distributable reserves*

At 31 December 2008, the Company did not have any reserves available for distribution to the equity shareholders of the Company (2007: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, borrowings (including non-interest bearing borrowings, interest-bearing borrowings, amounts due to a subsidiary of the Company's substantial shareholder and a minority shareholder) and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risks

(i) As at 31 December 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

(ii) In respect of the sales of properties as developed by the Group, buyers of the properties have to pay their considerations in accordance with the terms of payments as stipulated in the sales and purchase agreements signed by both parties. The Group chases the customers to settle outstanding balances and monitors the settlement progress on an ongoing basis. If there is default in payments by the buyers, the Group can claim the defaulted amounts (including defaulted interest) from the buyers and title of properties will only be passed to the buyers when full considerations have been received by the Group.

(iii) Moreover, the management will only rent out the investment properties to those tenants with good reputation and the tenants have to pay tenancy deposits to the Group upon signing of tenancy agreements. Tenants are also required to pay their rentals at the beginning of each month/quarter to minimise the risk of uncollected rental income.

(iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

(v) The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

b) Liquidity risk

As mentioned in note 2 to the financial statements, the Group experienced severe cash flow and liquidity risk on repaying debts and fulfilling its contractual obligations on construction works. In addition, the Group was encountering various claims and as at year end, the judgement was anticipated to be unfavourable. Therefore provision for legal claims and compensations has been made and disclosed in note 33 to the financial statements.

The Group is implementing various measures as mentioned in note 2 so as to improve the future working capital and mitigate various risk exposures. The Group reviews regularly its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are not materially different from their carrying amounts as their remaining maturities are within one year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

b) Liquidity risk *(continued)*

The following liquidity table set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities 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 required to pay:

The Group

	2008						2007					
	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	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'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	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Secured bank loans	11,986	11,986	35,958	24,498	84,428	57,115	–	–	–	–	–	–
Finance lease liabilities	371	371	402	–	1,144	956	–	–	–	–	–	–
Non-interest bearing borrowings	–	–	–	–	–	–	52,407	–	–	–	52,407	52,407
Interest bearing borrowings	–	–	–	–	–	–	84,628	–	–	–	84,628	83,945
Trade and other payables	21,533	5,360	28,972	–	55,865	55,865	169,259	22,707	10,442	–	202,408	202,408
	33,890	17,717	65,332	24,498	141,437	113,936	306,294	22,707	10,442	–	339,443	338,760

The Company

	2008						2007					
	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	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'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	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Secured bank loans	–	–	–	–	–	–	–	–	–	–	–	–
Finance lease liabilities	–	–	–	–	–	–	–	–	–	–	–	–
Non-interest bearing borrowings	–	–	–	–	–	–	21,866	–	–	–	21,866	21,866
Interest bearing borrowings	–	–	–	–	–	–	53,285	–	–	–	53,285	52,862
Trade and other payables	134,890	–	–	–	134,890	134,890	262,101	–	–	–	262,101	262,101
	134,890	–	–	–	134,890	134,890	337,252	–	–	–	337,252	336,829

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

c) Interest rate risk

The Group's fair value interest rate risk relates primarily from interest-bearing borrowings and amount due to a subsidiary of the Company's substantial shareholder. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Details of these Group's borrowings have been disclosed in notes 28 to 31 to the consolidated financial statements. The Group's bank balances have exposure to cash flow interest rate risk due to fluctuation of the prevailing market interest rate and bank balances. The directors of the Company consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to change the floating rate to fixed interest rate by negotiating with the lenders when significant interest rate exposure is anticipated.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date.

	The Group			
	2008		2007	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Fixed rate borrowings:				
Other loans	**–**	**–**	6.58%	31,083
Variable rate borrowings:				
Secured bank loans	**7.83%**	**57,115**	–	–
Other loans	–	–	6.75%	52,862
Financial lease liabilities	**3.95%**	**956**	–	–
Amount due to a subsidiary of the Company's substantial shareholder	**–**	**–**	6.75%	84,591
		58,071		137,453
Total borrowings		**58,071**		168,536

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

c) Interest rate risk *(continued)*

(i) Interest rate profile ***(continued)***

	The Company			
	2008		2007	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate borrowings:				
Other loans	–	–	6.75%	52,862
Amount due to a subsidiary of the Company's substantial shareholder	–	–	6.75%	84,591
Total borrowings		–		137,453

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase or decrease of interest rate by 25 basis points in respect of the Group's variable rate borrowings, with all other variables held constant, would increase or decrease the Group's loss before tax by approximately HK$145,000 (2007: HK$362,000).

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 the non-derivative financial liabilities in existence at that date. The 25 basis points 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

d) Currency risk

The majority of the subsidiaries of the Group operate in mainland China with most of the transactions denominated in Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of RMB against the Hong Kong dollars. Foreign exchange risk arose from recognised assets and liabilities and net investments in foreign operations.

The Group had certain investments in foreign operations in RMB, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

The Group had no material foreign currency exposure on the net monetary position of each group entity against its respective functional currency.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the mainland China government.

The Company did not have significant exposure to currency risk at the balance sheet date.

e) Fair values

The fair values of cash and cash equivalents, bank deposits, 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. The fair value of financial assets traded on active liquid markets are determined with reference to listed market prices. The carrying amounts of bank loans approximate their fair values.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

f) Estimation of fair value

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

(i) Interest-bearing loans and borrowings

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

37. MATERIAL RELATED PARTY TRANSACTIONS

a) Financing arrangement

	Amounts due to related parties		**Related interest expenses**	
	As at 31 December		**Year ended 31 December**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due to a minority shareholder	**–**	3,707	**–**	–
Amount due to a subsidiary of the Company's substantial shareholder	**–**	84,591	**2,097**	4,808

Note:

The amount was recovered during the year and HK$Nil on 31 December 2008. Details of the terms and conditions are disclosed in note 27.

b) Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 9 and the highest paid employees as disclosed in note 10, is as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**3,729**	4,100
Retirement scheme contributions	**60**	24
Post-employment benefits	**–**	36
	3,789	4,160

Total remuneration is included in "staff costs" (see note 7(b))

37. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

c. Other related party transactions

i) On 17 April 2008, the Company and Madex Holdings entered into a loan agreement in relation for a loan facility of HK$60,000,000 granted to the Company. The loan borne interest at the prime rate quoted by Bank of China (HK) and shall be repaid on 31 August 2009. Madex Holdings made additional advance of approximately HK$44,108,000 under the loan agreement to the Group and the Group made repayments of approximately HK$18,744,000 to Madex Holdings during the year ended 31 December 2008.

ii) On 30 April 2008, the Company, Madex Holdings and a third party entered into an assignment of debts pursuant to which the debts of approximately HK$32,651,000 due to the third party has been assigned to Madex Holdings.

iii) On 16 June 2008, the Company, Harbin Dynamic, Madex Holdings and a minority shareholder namely Zhuhai Rongye Technology Development Limited ("Zhuhai Technology") entered into an assignment of debts pursuant to which the debts of approximately HK$5,010,000 due by Harbin Dynamic to Zhuhai Techonolgy has been assigned as the debts due by the Company to Madex Holdings.

iv) On 16 June 2008, the Company, Harbin Dynamic, Madex Holdings and a third party entered into another assignment of debts pursuant to which the debts of approximately HK$12,508,000 due by Harbin Dynamic to the third party has been assigned as the debts due by the Company to Madex Holdings.

v) On 16 June 2008, the Company, Fairyoung (Shanghai) Properties Limited ("Fairyoung Shanghai"), Madex Holdings and Zhuhui Technology entered into another assignment of debts pursuant to which the debts of approximately HK$16,854,000 due by Zhuhui Technology to Fairyoung Shanghai has been assigned as the debts due by Madex Holdings to the Company.

vi) On 7 July 2008, the Company entered to a loan capitalization agreement (varied by two supplemental agreements dated 18 July 2008 and 11 August 2008) with Madex Holdings to settle the total outstanding loan and interest of approximately HK$145,367,000 due to Madex Holdings. Pursuant to the loan capitalization agreement, the Company issued and allotted approximately 1,211,394,000 shares at HK$0.12 per share as consideration for capitalization of the outstanding balances due to Madex Holdings.

vii) On 24 November 2008, the Company entered into an agreement with Zhuhai Technology to acquire its 30% equity interest in Harbin Dynamic at a consideration of HK$51,000,000. The consideration is determined with reference to the net asset value of Harbin Dynamic and after arm's length negotiation between the Company and Zhuhai Technology. The acquisition was completed on 8 April 2009.

viii) In November 2008, the Group acquired 100% equity interest in Winford Asia Pacific Limited ("Winford"), a company owned by Mr. Li Wing Sum, Steven, a director of the Company for a consideration of HK$1. The consideration was based on the par value of the issued share capital of Winford. Details of the acquisition have been set out in note 25 to the financial statements.

ix) Before the acquisition of Winford as mentioned in note 37(c)(viii) above, the Company leased a motor vehicle from Winford and incurred a rental charge of HK$440,000 for the year ended 31 December 2008 (2007:HK$240,000). The amount of rental was determined with reference to the amounts charged to third parties.

38. COMMITMENTS

a) As at 31 December 2008, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**2,214**	669
In the second to fifth years, inclusive	**415**	–
	2,629	669

b) Capital commitments outstanding at balance sheet date not provided for in the financial statements were as follows:

	The Group	
	2008 **HK$'000**	2007 HK$'000
Contracted but not provided for in relation to		
– acquisition of additional interest in a subsidiary *(note 21(a))*	**39,649**	–
– acquisition of a subsidiary *(note 21(b))*	**36,929**	–
– contribution for long term investment	**5,682**	–
	82,260	–

Capital commitments that fall due not later than one year amounted to HK$53,331,000 (2007: Nil). Out of which HK$47,649,000 has been paid subsequent to the balance sheet date.

39. MAJOR NON-CASH TRANSACTIONS

i) On 12 December 2007, the Company entered into a conditional loan settlement agreement with a loan creditor to settle the outstanding loan of approximately HK$42,500,000 by issue of approximately 314,348,000 shares at a price of HK$0.1352 per share to the loan creditor. The shares were allotted on 28 January 2008.

ii) On 7 July 2008, the Company entered to a loan capitalization agreement (varied by two supplemental agreements dated 18 July 2008 and 11 August 2008) with Madex Holdings to settle the total outstanding loan and interest of approximately HK$145,367,000. Pursuant to the loan capitalization agreement, the Company issued and allotted approximately 1,211,394,000 shares at HK$0.12 per share to settle the outstanding balances.

40. CONTINGENT LIABILITIES

Financial Guarantees issued

As at 31 December 2008, the Group undertook guarantees in respect of mortgage loans granted by certain banks of RMBNil (approximately HK$Nil) (2007: approximately RMB3,737,000 (approximately HK$4,005,000)) relating to the mortgage loans arranged for certain purchasers of the Group's properties under development for sale since 2003. Pursuant to the terms of the guarantees, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties under development for sale. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees. All the guarantees have been released when the mortgagees obtained their property title certificates during the year ended 31 December 2008.

41. LITIGATION

Apart from the legal cases referred to in note 33 to the financial statements, the Group had the following litigation in 2007.

On 9 September 2005, a subsidiary of the Company (the "Subsidiary") served a writ in Hong Kong on a former chairman and executive director of the Company, Mr. Chan Boon Ning, John ("Mr. Chan") claiming on amount of HK$67,000,000, being the personal guarantee given by Mr. Chan on the recoverability of long term deposits made by the Subsidiary, via intermediaries, to certain companies established in mainland China (the "PRC companies") in 1998. Mr. Chan served as chairman and executive director of the Company (Formerly known as Fairyoung Holdings Limited) from 5 February 1993 to 23 November 2000. The deposits made were to be refundable and were intended to be used to finance investment projects of the Group. None of the intended investment projects crystalised and the deposits were not refunded by neither the PRC companies nor Mr. Chan since payments were made in 1998. As full provision of HK$67,000,000 was made by the Group in 2001. On 24 July 2007, the Subsidiary and Mr. Chan entered into a resolution agreement whereby Mr. Chan agreed to settle the aforesaid claim for a total sum of of HK$30,000,000 of which HK$10,000,000 was settled on 19 September 2007. The remaining HK$20,000,000 was fully settled subsequent to the balance sheet date on 23 January 2008. The litigation was terminated upon the full settlement by Mr. Chan on 23 January 2008. Reversal of impairment losses of HK$30,000,000 was accounted for in the income statement for the year ended 31 December 2007.

42. NON-ADJUSTING POST BALANCE SHEET EVENTS

a) On 24 November, 2008, the Group entered into a conditional sale and purchase agreement with a minority shareholder to acquire 30% equity interest held by the minority shareholder in Harbin Dynamic, a non wholly-owned subsidiary of the Group, for a total cash consideration of HK$51 million.

The acquisition was completed on 8 April 2009 and Harbin Dynamic became a wholly-owned subsidiary of the Group upon completion of the acquisition.

b) On 11 December 2008, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire the entire equity interest of and the shareholder's loan to Xiang Quan Hotel for a total consideration of HK$50 million (subject to adjustment) (comprising HK$28 million cash payment and HK$22 million to be satisfied by issue shares of the Company).

On 19 January 2009, the parties entered into a supplemental agreement whereby the total consideration has been adjusted to HK$46,929,000 (comprising HK$28 million cash payment and HK$18,929,000 to be satisfied by issue of consideration shares). The acquisition is expected to be completed on or before 30 June 2009.

43. RETIREMENT BENEFIT SCHEME

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 scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the income statement.

The employees of the Group's subsidiaries in the mainland China are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the mainland China and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the mainland China subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the income statement as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the mainland China.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and mainland China. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2008 in respect of the retirement of its employees.

44. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2008, the directors consider the parent and ultimate controlling party of the Group to be Madex International Company Limited, which are incorporated in Western Samoa. This entity does not produce financial statements for public use.

45. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may 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.

i) Carrying value of property, plant and equipment and estimation on depreciation charge

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

ii) Estimated impairment of inventories

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

iii) Estimated provision for current and deferred taxation

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

45. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

iv) *Estimated provision for land appreciation tax* ***(continued)***

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

The Group is subject to land appreciation tax in mainland China. However, the implementation of this tax varies amongst various mainland China cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgements are required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain. The Group recognises these liabilities in these financial statements based on management's best estimates in accordance with the applicable tax law in mainland China. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and related income tax provisions in the period in which such determination is made.

v) *Estimated provision for legal claims and compensations*

As explained in note 33, the Group makes provisions for legal claims and compensations on breaches of pre-sale contracts. The properties held for sale were assigned to the buyers on 23 May 2007, while the Group has not reached final agreement with certain buyers on amount of legal claims and compensation, it is possible that recent claim experience is not indicative of future claims that it will receive in respect of past pre-sales. Any increase or decrease in the provision would affect income statement in future years.

b) Critical accounting judgments in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

c) Going concern basis

As mentioned in note 2 to the financial statements, the directors of the Company are confident that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

FIVE YEAR FINANCIAL SUMMARY

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

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**66,114**	185,253	20,210	30,918	58,624
(Loss)/profit attributable to shareholders	**(27,134)**	54,387	(76,654)	(97,380)	(72,351)
ASSETS AND LIABILITIES					
Total assets	**459,510**	430,064	347,277	305,701	361,848
Total liabilities	**(156,048)**	(409,295)	(422,710)	(322,822)	(282,097)
Minority interests	**(60,527)**	(56,011)	(21,650)	(6,570)	(6,584)
Shareholders' equity	**242,935**	(35,242)	(97,083)	(23,691)	73,167

SCHEDULE OF INVESTMENT PROPERTIES

Description	Use	Area	Percentage of attributable interest
North East Corner Central Avenue & Huapu Street Harbin, Helongjiang Province, The People's Republic of China	Commercial	Gross area – approximately 13,923 sq. metre	70