SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755

2008 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Dai Zhikang
Mr. Zhu Nansong
Mr. Fang Bin
Mr. Tang Jian
Ms. Zhou Yan
Mr. Wu Yang
Mr. Wang Zhe

Independent non-executive directors:

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

PRINCIPAL BANKERS

Standard Chartered Bank
Citic Ka Wah Bank Limited
Bank of China
Hua Xia Bank
Shanghai Pudong Development Bank
Agricultural Bank of China

SOLICITORS

Hong Kong

K&L Gates
35th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Bermuda

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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

COMPANY SECRETARY

Mr. Tso Shiu Kei Vincent

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

AUDIT COMMITTEE

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

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

Chairman's Statement

FINANCIAL RESULTS

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

During the year under review, turnover of the Group amounted to approximately HK$1,968,603,000, an approximately 26% increase against approximately HK$1,556,209,000 last year. Profit attributable to shareholders of the Company increased by approximately 3% to approximately HK$317,359,000 as compared to approximately HK$309,013,000 last year. Basic earnings per share of the Company were HK3.7 cents (2007: HK5.0 cents). The Group's turnover and profit for the year were mainly resulted from:

- Sales and delivery of office units in "Wu Dao Kou Financial Centre"
- Sales and delivery of office units in "Zendai Cube Tower"
- Sales and delivery of residential units in Phase I of "Zendai Ideal City"
- The booking of negative goodwill arising from the acquisition of the entire interest in Giant Hope Investments Limited ("Giant Hope")
- Gain from disposal of part of interest in Shanghai Zendai Himalaya Real Estate Company Limited

DIVIDEND

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

BUSINESS REVIEW

In the first half of 2008, affected by the fluctuating macro economy and government macroeconomic austerity measures, demand for properties dropped. The uncertain economic outlook prompted investors in the People's Republic of China (the "PRC") to adopt a wait-and-see attitude towards the market. The prices of properties in first tier cities in the PRC dropped at different rates and transaction volumes shrank. Stepping into the second half year, the property sector was hit even harder by the spreading of the global financial turmoil. However, boasting flexible sales strategies, the Group was able to launch various residential and commercial property projects according to schedule and develop other projects heeding market trends during the year thus achieved relatively stable results.

Chairman's Statement

The Group has accumulated considerable experience in developing integrated commercial property projects over the years. To realise this strength and consolidate its position as an integrated commercial property developer, the Group signed an agreement with a subsidiary of its controlling shareholder in April 2008 to acquire the entire issued share capital of Giant Hope. Through the acquisition, the Group obtained several premium integrated property projects and land, including 100% interest in "Radisson Hotel Pudong" in Shanghai, 90% interest in a plot of land in Qingpu District in Shanghai and more retail shop and car parking spaces in Zendai Thumb Plaza in Shanghai. The acquisition has also increased the Group's interest in a plot of land in Qingdao, Shandong Province to 45%. With the transaction completed in July 2008, the Group now has a stronger integrated property project portfolio in major prosperous cities in the PRC assuring it of long term and stable rental income.

The Group also completed a number of acquisitions in second tier and emerging cities including Chenmai County in Hainan, Huzhou in Zhejiang Province, Haimen in Jiangsu Province and Dongsheng Kangbashi New Area, Ordos City in southwestern Inner Mongolia, which added new projects to its portfolio and boosted its land reserves and business coverage.

COMMERCIAL PROPERTY PROJECTS

Shanghai

Wu Dao Kou Financial Centre

"Wu Dao Kou Financial Centre" is a grade A commercial property project of the Group in Pudong, Shanghai. The entire project was completed in early 2008. The south tower with a saleable floor area of 25,865 square metres and 120 parking spaces was acquired by Evergreen Group from Taiwan to serve as its Asia Pacific headquarters. It was delivered in February 2008 and contract value totaling approximately RMB495,000,000 (equivalent to HK$543,777,000) was booked for the period. As for the north tower, all 14 floors of office units with a total floor area of 29,972 square metres were sold, bringing in RMB1,024,755,000 (equivalent to HK$1,125,733,000) in terms of contract value for the Group. During the period under review, a total saleable floor area of approximately 21,409 square metres were sold, bringing in RMB754,656,000 (equivalent to HK$829,019,000) in terms of contract value for the Group. A total floor area of 17,127 square metres was delivered during the period with contract value totaling RMB575,170,000 (equivalent to HK$631,847,000) booked for the period.

Chairman's Statement

Zendai Cube Tower

The grade A office project "Zendai Cube Tower" in Pudong, Shanghai, comprises office and commercial properties with a total gross floor area of 33,149 square metres. As at 31 December 2008, a cumulative total floor area of 30,229 square metres was sold, generating RMB701,764,000 (equivalent to HK$770,915,000) in terms of contract value for the Group. During the period under review, a total floor area of approximately 3,913 square metres was sold, bringing in RMB128,432,000 (equivalent to HK$141,088,000) in terms of contract value for the Group. A total floor area of 4,107 square metres was delivered during the period with contract value booked totaling RMB144,395,000 (equivalent to HK$158,624,000).

Zendai Yuanshen Financial Building (formerly known as Hengsheng Pavilion)

The Group gained 100% holding of "Zendai Yuanshen Financial Building", an integrated property project in Pudong, Shanghai, after it had completed the acquisition of the remaining 5% interest in the project in March 2008. The project is on a 12,789 square metre site with total saleable floor area of approximately 42,912 square metres. It will have a 17-storey office building with a podium that offers two levels of commercial spaces and two 18-storey serviced apartment buildings with commercial spaces on ground level. There will be two levels of underground space designed for entertainment and leisure-related commercial use and car parks. Pre-sale of the properties has commenced in January 2009 and delivery is expected before the end of 2009.

Zendai Thumb Plaza

The Group acquired interest in part of the shopping mall of "Zendai Thumb Plaza" in Pudong, Shanghai in 2005. The total consideration of RMB680,000,000 was paid by installments between 2005 and 2008 according to the payment terms in the acquisition agreement. And, after the Group completed the acquisition of Giant Hope in July 2008, the area of the retail shops in "Zendai Thumb Plaza" it owns had increased from the original 41,460 square metres to 47,382 square metres and it also secured 447 underground car parking spaces. Zendai Thumb Plaza is a modern integrated commercial complex boasting prime location neighbouring Century Park and the Lujiazui financial district. As at 31 December 2008, more than 90% of the commercial spaces in the plaza were leased out.

Radisson Hotel Pudong

The acquisition of Giant Hope also added the five-star hotel "Radisson Hotel Pudong" in "Zendai Thumb Plaza" to the portfolio of the Group. The 18-storey hotel has a gross floor area of 31,826 square metres and 361 guest rooms, a 4-storey ancillary building and a one-level basement. It has been in business since March 2006 and is managed under the "Radisson" brand by Carlson Companies. The average occupancy rate of the hotel was 70% in 2008.

Chairman's Statement

Parcel of land in Qingpu District, Shanghai

Also through the Giant Hope acquisition, the Group secured 90% interest in a parcel of land in the tourist site Zhujiajiao Town, Qingpu District, Shanghai. Together with 10% interest in the land it already owned, the Group now has 100% interest in the approximately 140,099-square metre lot of land intended to be developed into an integrated project comprising mid to high-end serviced apartments, retail shops, a hotel and club house. Construction of the project of gross floor area approximately 100,000 square metres is expected to commence in the third quarter of 2009 and to be completed in 2011.

Himalayas Center

The Group owns an integrated commercial property project named "Himalayas Center" in Pudong, Shanghai. During the period under review, the project company changed its shareholding structure and increased its registered capital from RMB10,000,000 to RMB632,000,000 to facilitate future development. As at 31 December 2008, the Group owned 45% interest in the project. Himalayas Center is located on Fangdian Road, Pudong New Area, near the Shanghai New International Expo Center, Century Park, Metro Line 2's Long Yang Road Station and Shanghai Meglev's Long Yang Road Station. The project occupies an area of 28,893 square metres and total gross floor area of approximately 164,500 square metres and will be developed into a high-end complex with a hotel, a shopping arcade, an office building, a theater and an art center. Construction is expected to be completed by 2010.

Other cities

Lao Shan District of Qingdao City

The Giant Hope acquisition brought to the Group 20% interest in a parcel of land in Lao Shan district of Qingdao city, Shandong province. Together with the 25% interest it already owned, the Group now has 45% interest in the approximately 43,163-square metre site in south-western Lao Shan District in Qingdao city, with Hongkong Road to its south and Songling Road to its west. The site is intended for development of an integrated project named "上實•國際廣場" comprising serviced apartments, apartments and a basement car park. The project with total gross floor area reaching approximately 143,000 square metres will be constructed in phases. The first phase, close to topping out, consists of five 28 to 30-storey high-end residential buildings with total gross floor area of around 84,310 square metres. The Group expects to start pre-sale of the apartments in August 2009 and have them ready for delivery in late 2009. As for other parts of the project to be developed, planning is currently underway.

Chairman's Statement

During the acquisition of Giant Hope by the Group, a subsidiary of Giant Hope was applying for transfer of land use right of another site in Lao Shan district, Qingdao city, Shandong province, the PRC. The relevant transfer was completed in February 2009. The approximately 40,000-square metre site is located north-west of the junction of Haier Road and Tongan Road and is intended to be developed into an integrated project named Qingdao "Zendai Thumb Plaza" comprising retail shops, a hotel, serviced apartments and a conference centre with total gross floor area of approximately 181,700 square metres. Foundation work of the project is scheduled to start in the second quarter of 2009 and expected to be completed in the second half of 2011.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment uses in the heart of Yangzhou city. The project has a total saleable area of approximately 80,000 square metres and will include a cultural sightseeing area and a commercial district. It will be developed in two phases. The first phase will have 12 blocks and 243 units, with a saleable area of approximately 18,000 square metres. Construction of phase one will be completed in the second quarter of 2009. Currently, promotion to potential tenants is in progress and operation is expected to formally begin in October 2009.

Haikou Project

The Group owns a developing project with gross floor area of approximately 72,000 square metres and a parcel of land of approximately 7,745 square metres in Haikou city, Hainan province. The developing project is named "Hainan Zendai Wu Dao Kou Financial Centre", which will have total saleable office space of approximately 54,600 square metres. Construction of the project has begun in the first quarter of 2009 and pre-sale is expected to start in the first quarter of 2010, whereas delivery is scheduled for the first quarter of 2011.

Another parcel of land of approximately 7,745 square metres will be developed into serviced apartments with saleable area of approximately 46,460 square metres. Construction will commence in the fourth quarter of 2009 and be completed in mid-2012. Pre-sale will start in the fourth quarter of 2010.

The land in Chenmai County, Hainan

In January 2008, the Group acquired 60% of Hainan Huayi Land Company Limited at a total cash consideration of not more than RMB206,260,000. Hainan Huayi Land Company Limited owns a parcel of land in Chenmai County, Hainan, the PRC with a site area of 1,309,563 square metres. The land is intended for developing into leisure-related commercial property and residential property projects including hotels, villas and other related facilities and related layout and design details are currently on the drawing board.

Chairman's Statement

"Zhongke Langfang Technology Valley" in Langfang city

The Group and Shan Shan Investment Holdings Co., Limited ("Shan Shan Investment") are jointly developing the "Zhongke Langfang Technology Valley" in Langfang city, Hebei province. The project has a total site area of approximately 3,100,000 square metres, around 30% of which will be used for developing commercial properties. The Bohai Bay Rim area is a major development focus of the PRC government as stated in the Eleventh Five-Year Plan of the country. The strategic cooperation will allow the Group to gain foothold and seize business opportunities in the Bohai Bay Rim. It will also increase the land reserve of the Group by 1,000,000 square metres in total saleable floor area. The project is still in preliminary planning stage.

Land Parcels in Inner Mongolia Autonomous Region

In August 2008 the Group signed agreements to acquire two parcels of land in the Inner Mongolia Autonomous Region through an indirect wholly-owned subsidiary. One of the two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, which has a total site area of approximately 45,718 square metres, is designated for commercial uses. The other of total site area approximately 103,750 square metres is intended to be developed into a residential project. Preliminary planning for the two sites is underway.

RESIDENTIAL PROJECTS

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, has 50 villas with a total saleable area of approximately 37,690 square metres. As at 31 December 2008, a cumulative 38 villas with total saleable area of 27,464 square metres were sold, generating RMB1,162,965,000 (equivalent to approximately HK$1,277,562,000) in terms of contract value for the Group. During the year under review, two villas with total saleable area of 1,676 square metres were delivered and the total contract value of RMB119,600,000 (equivalent to HK$131,385,000) was booked.

Other cities

"Valley International" in Jilin

Occupying a site area of 191,100 square metres, "Valley International", a residential property project in Jilin, boasts a total saleable area of approximately 202,000 square metres. The project will be developed in four phases.

Chairman's Statement

"楓林別墅", the first phase of the project, comprises 118 town houses and 11 villas with total saleable area of 39,252 square metres. As at 31 December 2008, a cumulative 116 town houses and 5 villas with total saleable area of 35,321 square metres were sold, generating RMB144,816,000 (equivalent to HK$159,086,000) in terms of contract value for the Group.

The second phase of the project will have 4 low-rise blocks and 7 high-rise blocks, which together will provide 503 residential units and ancillary commercial facilities with total saleable area of about 83,348 square metres, including 79,543 square metres of residential area and 3,805 square metres of commercial area. The 11 blocks will be constructed in three batches and be completed and delivered one by one.

Construction of the first batch comprising 4 low-rise blocks with 209 residential units of total saleable floor area 22,987 square metres was completed in late 2008 for delivery in the second half of 2009. Pre-sale of the units started in November 2007. As at 31 December 2008, a cumulative 52 units with total saleable floor area of 5,076 square metres were sold, generating RMB19,433,000 (equivalent to HK$21,348,000) in terms of contract value for the Group. During the year under review, a total of 22 residential units with total saleable floor area of about 2,071 square metres were sold, generating RMB8,214,000 (equivalent to HK$9,023,000) in terms of contract value for the Group.

Construction of the second batch comprising 5 high-rise blocks, which together will provide 250 residential units with total saleable area of approximately 42,258 square metres, started in the third quarter of 2008. Related works are expected to be completed by the end of 2010. Pre-sale of the units will commence in the third quarter of 2010.

The third batch will comprise 2 high-rise blocks with 44 residential units and saleable area of approximately 14,298 square metres. Construction will start in the second quarter of 2009.

The third phase of the project will provide 117 villas and town houses with saleable area of approximately 44,500 square metres. Construction has started in May 2008 and will be completed by the end of 2009. Pre-sale has begun in October 2008. As at 31 December 2008, 19 units with total saleable area of 6,590 square metres were sold, generating a contractual amount of RMB35,548,000 (equivalent to HK$39,051,000) for the Group.

As for phase fourth of the project, planning is in progress. It will offer villas with a total saleable area of approximately 34,921 square metres.

Chairman's Statement

"Zendai Ideal City" in Changchun

Located in Changchun, "Zendai Ideal City" comprises residential properties and ancillary commercial spaces on a 407,000 square metres site and with total saleable area of approximately 602,000 square metres. The project is being constructed in five phases. The first phase occupying a site area of approximately 77,300 square metres and total saleable area of approximately 111,500 square metres in 23 multi-storey residential buildings and 3 high-rise residential buildings that offer a total of 1,210 units and related ancillary commercial facilities. The multi-storey residential buildings were completed in August 2008 and high-rise residential buildings are expected to be completed in July 2009. As at 31 December 2008, 809 units with total saleable area of 75,789 square metres in the first phase were sold, generating a contractual amount of RMB256,813,000 (equivalent to HK$282,119,000) for the Group. During the year under review, the Group delivered 757 residential units with area of 71,869 square metres and the related contractual amount of RMB243,797,000 (equivalent to HK$267,820,000) was recognized for the period.

The second phase of the project will have 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary shopping spaces and the total saleable area will be approximately 115,200 square metres. Construction and pre-sale has started in May 2008 and the first quarter of 2009 respectively. Other phases of the development are in planning stage.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province was not a major sales focus of the Group during the year. The project comprises 2 parcels of land occupying a total site area of 1,388,872 square metres.

The first parcel has a total site area of approximately 577,336 square metres and will be developed in 2 parts. "Zendai-Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I including 52 villas with total saleable area of approximately 17,457 square metres. As at 31 December 2008, 41 units with total saleable area of 13,903 square metres were sold, generating a contractual amount of RMB64,483,000 (equivalent to HK$70,837,000) for the Group. Phases II and III of the "Zendai-Dong Zhou Mansion" are still in the planning stage. "Multiflora Garden", on the second part of the parcel of land, will be developed in two phases into an integrated residential area comprising low-density town houses. Construction of Phase I offering 212 units with total saleable area of approximately 57,500 square metres was completed in the fourth quarter of 2008. As at 31 December 2008, 105 units with total saleable area of 28,424 square metres were sold, generating a contractual amount of RMB126,870,000 (equivalent to HK$139,372,000) for the Group. During the year under review, the Group delivered 69 units of total area 18,600 square metres and recognised from them a contractual amount of RMB86,300,000 (equivalent to HK$94,804,000).

CHAIRMAN'S STATEMENT

The second parcel with area of approximately 811,536 square metres will be developed into residential properties in phases. Construction of "清華園生態花園", the first phase, with total land area of approximately 43,551 square metres and saleable area of approximately 65,400 square metres, has started in August 2008. However, in the light of changes in market condition, the project was halted after preliminary foundation works were completed. Construction is expected to resume in the third quarter of 2009 and pre-sale will start in June of 2010. Other parts to be developed are being planned.

The Group also acquired another approximately 133,200-square metre parcel of land in Haimen in January 2008 at a total consideration of RMB27,000,000 (equivalent to HK$27,976,000). With the parcel of land close to the "Zendai Garden-Riverside town", the Group will be able to come up with a more comprehensive development plan for the area.

Huzhou in Zhejiang Province

In January 2008, the Group acquired an approximately 59,935-square metre parcel of land in Huzhou, Zhejiang province with total saleable floor area of approximately 119,000 square metres at a total consideration of RMB122,000,000 (equivalent to HK$137,079,000), which will be developed into a project with residential properties and ancillary commercial spaces. Detailed planning of the project is underway.

PROSPECTS

In 2009, the global financial crisis is expected to continue affect economies and the pressure on the PRC economy and property market will persist. Thus, in the short term, the Group will be cautious in conducting business in the property market. However, the PRC government has introduced a number of measures to stimulate economic growth including major investment initiatives, plans to support export and encourage domestic consumption, and relaxing credit control. These measures are expected to produce effect gradually in support of the mainland economy. In addition, with the central government supportive of the steady development of the property market and certain regulations on the market lifted, the 2010 World Expo to be held in Shanghai expected to bring ample business opportunities, and continuous economic growth and urbanisation in the PRC, the Group is optimistic about the long-term prospects of the property market.

Looking ahead, the Group will focus on developing integrated commercial projects that provide prime office spaces, hotels, shopping malls, and cultural, leisure and entertainment facilities and also residential units and serviced apartments. The Group will tailor them according to the specific characteristics of different regional markets and keep some of the commercial projects as investment properties. The approach is going to allow the Group to broaden income sources, increase recurrent rental income hence better shield itself from fluctuation in the property market, and also enhance influence of the Group as a quality integrated commercial property developer for capturing a larger market share.

Chairman's Statement

Furthermore, apart from operating business in its home base in Shanghai, the Group also boasts business coverage over emerging cities in the Yangtze River Delta region (Haimen, Yangzhou and Zhejiang), the Bohai Bay Rim (Langfang), Northeastern China (Changchun, Jilin and Qingdao), Southeastern China (Hainan) and Inner Mongolia. With such extensive coverage, the Group is able to spread its investment geographically thereby grasp long-term development opportunities in different regional markets.

In the uncertain market environment, small property developers with insufficient land reserve and funds will be ousted and consolidation of the property sector is going to accelerate. The Group sees this as an opportune time for it to diligently implement its proven proactive yet prudent development strategy and continue to carefully identify investment projects with strong earning potential so as to maximise returns to shareholders.

Management Discussion and Analysis

REVIEW OF OPERATIONS

The results of the Group for the year under review were satisfactory. The profit for the year was mainly attributable to sales and delivery of office units of Wu Dao Kou Financial Centre and Zendai Cube Tower in Shanghai, residential units of "Zendai Ideal City" in Changchun, negative goodwill arising from the acquisition of the entire share capital of Giant Hope and profits arising from deemed disposal and purchase of the equity interest in Shanghai Zendai Himalaya Real Estate Company Limited.

During the year, the Group completed a number of acquisitions which include the entire equity interest of Giant Hope, 60% of the issued share capital of Hainan Huayi Land Company Limited and land parcels in Inner Mongolia. These acquisitions enlarged the Group's property interests in Shanghai and other major cities in PRC. Furthermore, the Group continued to offer both residential and commercial properties for sale. For commercial projects, they were office premises in Zendai Cube Tower and Wu Dao Kou Financial Centre. In respect of residential projects, they were villas in Mandarin Palace, villas and detached houses in Haimen, villas and apartments in Jilin and apartments in Changchun.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2008, the Group had a healthy financial position with net assets increased from approximately HK$2,530 million in 2007 to approximately HK$3,300 million. Net current assets amounted to approximately HK$2,850 million (2007: approximately HK$3,134 million) with current ratio of approximately 2.12 times (2007: 2.26 times). The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2008, the Group had consolidated bank loans of approximately HK$1,015 million in which HK$325 million was repayable within one year and HK$690 million was repayable more than one year. As at 31 December 2008, the Group's bank balances and cash were approximately HK$384 million. The gearing ratio of the Group improved from 0.91 times in 2007 to 0.69 times in 2008 (basis: total of amounts due to related companies, bank loans, notes payable and convertible notes divided by shareholders' funds).

Management Discussion and Analysis

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year amounted to HK$1,802,650,000 (2007: HK$1,507,675,000). It resulted from the increase in high value properties available for delivery to buyers by the Group during the year.

Travel and related business

The turnover of this segment for the year reached approximately HK$11,832,000 (2007: HK$15,367,000).

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$94,681,000 (2007: HK$33,167,000). The increase was due to the acquisition of investment properties and management and agency services companies during the year.

Hotel operations

The turnover of this segment for the year was HK$59,440,000 (2007: Nil). The increase was due to the acquisition of Raddison Hotel during the year.

FOREIGN CURRENCY EXPOSURES

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

EMPLOYEES

As at 31 December 2008, the Group employed approximately 1,150 employees (2007: 280 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

Management Discussion and Analysis

MAJOR ACQUISITIONS

20% equity interest in 上海証大置業有限公司

On 9 October 2007, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited, a company which is wholly owned by Mr. Dai Zhikang, a director of the Company, to further acquire the remaining 20% of the issued share capital of a subsidiary, 上海証大置業有限公司, at a consideration of RMB305,000,000 (approximately HK$334,929,000). The acquisition was completed on 23 January 2008.

Land parcel in Hainan

On 2 January 2008, the Group entered into an agreement with an independent third party to acquire entire interest in Meiyi International Limited which held 60% interest in Hainan Huayi Land Company Limited (collectively referred to as "Meiyi Group") at a cash consideration of not more than RMB206,260,000. The major asset in Meiyi Group is a parcel of land with approximately 1,309,000 square metres in Chenmai County, Hainan. The acquisition was completed in January 2008.

100% equity interest of Giant Hope

On 15 April 2008, the Group entered into an agreement with Jointex Investment Holdings Limited ("Jointex") to acquire the entire interest of Giant Hope Investments Limited and its subsidiaries ("Giant Hope Group") and the loan due to Jointex by Giant Hope Group amounting to HK$97,290,000 at a total consideration of HK$702,240,000, satisfied by allotting 3,344,000,000 Company's shares to Jointex. Jointex is 85% owned by Giant Glory Assets Limited which is wholly owned by Mr. Dai Zhikang, a director of the Company. The remaining 15% of Jointex is owned by Conwealth International Limited, which is wholly owned by Mr. Zhu Nansong, also a director of the Company. The transaction was completed on 9 July 2008.

Land parcels in Inner Mongolia

On 19 August 2008, the Group entered into an agreement with The Bureau of Land Resources in Dongsheng Area of Ordos City for the acquisition of two parcels of land in Inner Mongolia Autonomous Region, PRC at an aggregate consideration of RMB146,389,500 (equivalent to approximately HK$166,940,000). The land parcels with total site area of 149,468 square meters are designated for commercial and residential use.

Management Discussion and Analysis

15% equity interest in Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL")

On 5 November 2008, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited to acquire 15% interest of HLCL at a consideration of RMB112,000,000 satisfied by cash of RMB15,478,000 and setting off a receivable from Shanghai Zendai Investment Development Company Limited of RMB96,522,000.

CHARGE ON ASSETS

As at 31 December 2008, the Group's hotel buildings, investment properties and properties for development and sales of approximately HK$341 million, HK$1,004 million and HK$1,006 million respectively had been pledged to banks to secure bank loans granted to the Group.

Biographical Details of Directors

A. EXECUTIVE DIRECTORS

Mr. DAI Zhikang ("Mr. Dai"), aged 44, who joined the Group in March 2002, is an executive director and chairman of the Company. He is also the founder and chairman of 上海証大投資集團 (Shanghai Zendai Investment Group) ("Zendai Group"). He graduated from 中國人民大學 (Renmin University of China) with a bachelor's degree in economics (finance). He is also a postgraduate of 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). He founded Zendai Group in 1994, restructured the group and became the founder and chairman in 1998. Mr. Dai is a director of Giant Glory Assets Limited, which is interested in 1,760,685,000 shares of the Company, representing approximately 17.11% of the issued share capital of the Company as at 31 December 2008. Giant Glory Assets Limited is also interested in 85% of the issued share capital of Jointex Investment Holdings Limited, a controlling shareholder of the Company interested in approximately 32.49% of the issued share capital of the Company as at 31 December 2008.

Mr. Zhu Nansong ("Mr. Zhu"), aged 42, was an executive director of the Company from May 2003 to October 2005. Mr. Zhu was re-appointed as executive director of the Company in January, 2009. Mr. Zhu graduated from 中國人民大學 (Renmin University of China) and 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). Mr. Zhu also obtained doctorate degree in philosophy from Fudan University. Mr. Zhu is interested in 50,000,000 shares in the capital of the Company, representing approximately 0.49% of the issued share capital of the Company as at 31 December 2008. He is also interested in 15% of the issued share capital of Jointex Investment Holdings Limited, a controlling shareholder of the Company interested in approximately 32.49% of the issued share capital of the Company as at as at 31 December 2008.

Mr. FANG Bin ("Mr. Fang"), aged 35, who joined the Board in October, 2005, is an executive director and chief executive officer of the Company and is currently the director and president of 上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited), a subsidiary of the Company. Mr. Fang also serves as the director of 上海証大三角洲置業有限公司 (Shanghai Zendai Delta Land Company Limited), 上海天海有限責任公司 (Shanghai Tianhai Company Limited), 上海證大大拇指置業有限公司 (Shanghai Zendai Thumb Real Estate Company Limited) and 長春證大置業有限公司 (Changchun Zendai Real Estate Company Limited), all of which are subsidiaries of the Company. Mr. Fang obtained a master's degree of engineering in urban planning from 同濟大學 (Tong Ji University), the PRC, in 1997. Mr. Fang has over eight years of experience in the real estate business in the PRC.

Biographical Details of Directors

Mr. TANG Jian ("Mr. Tang"), aged 32, who joined the Board in May 2003 and is an executive director of the Company and was appointed as authorised representative of the Company in June 2003. Mr. Tang obtained a bachelor's degree from 上海財經大學 (Shanghai University of Finance and Economics) specialising in finance and has previously worked for 上海銀行 (Bank of Shanghai). Mr. Tang is responsible for the business management and corporate governance of the Group and has more than eight years of experience in this respect. Mr. Tang is a director of Giant Glory Assets Limited, which is interested in 1,760,685,000 shares of the Company, representing approximately 17.11% of the issued share capital of the Company as at 31 December 2008.

Ms. Zhou Yan ("Ms. Zhou"), aged 41, was appointed executive director of the Company in January 2009 and is also director of (i) 上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited); (ii) 上海証大三角洲置業有限公司 (Shanghai Zendai Delta Land Company Limited); (iii) 上海天海有限責任公司 (Shanghai Tianhai Company Limited); (iv) 上海証大五道口房地產開發有限公司(Shanghai Zendai Wu Dou Kuo Property Development Company Limited) and (v) 鄂爾多斯市証大房地產開發有限公司 (Ordos City Zendai Property Development Limited), all wholly-owned subsidiaries of the Company. Ms. Zhou received her bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University), and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 6 years of sales experience in various property development companies in the People's Republic of China (the "PRC").

Mr. Wu Yang ("Mr. Wu"), aged 43, was appointed executive director of the Company in January 2009 and is also director of (i) 上海証大商業旅遊投資發展有限公司 (Shanghai Zendai Travel and Commercial Investment Company Limited); (ii) 上海証大西鎮置業發展有限公司 (Shanghai Zendai Xi Zhen Property Development Company Limited); (iii) 鄂爾多斯市証大房地產開發有限公司 (Ordos City Zendai Property Development Limited); and (iv) 青島証大凱倫大拇指廣場發展有限公司 (Qingdao Zendai Kai Lun Thumb Plaza Development Company Limited), all wholly-owned subsidiaries of the Company. Furthermore, Mr. Wu is also the executive president of 上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited) ("Zendai Land"), a wholly-owned subsidiary of the Company. Mr. Wu received his bachelor's degree in construction from Shengyang Radio and TV University in 1987, and his master's degree in industrial economics from Capital University of Economics and Business. Mr. Wu has over 12 years of experience in property development business.

Mr. Wang Zhe ("Mr. Wang"), aged 38, was appointed executive director of the Company in January 2009. Mr. Wang is also as an executive director of Shanghai Forte Land Co., Ltd. ("Forte Land"), the issued shares of which are listed on The Stock Exchange of Hong Kong Limited. Forte Land is also the holding company of China Alliance Properties Limited, which in turn is interested in approximately 6.39% of the issued share capital of the Company as at as at 31 December 2008. Mr. Wang received his bachelor's degree from the global economics faculty of Fudan University in 1992, and his master's degree in international finance from the international economics faculty of Fudan University in 1999. Mr. Wang became a qualified economist in 1997.

Biographical Details of Directors

B. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Mun Lam, Raymond ("Mr. Lo"), aged 56, who joined the Board in 2002 is the principal of an investment and corporate finance firm with offices in London and Hong Kong. Trained as a chartered accountant from London, he is licensed as a Responsible Officer by the Securities & Futures Commission of Hong Kong for providing Type 6 (Corporate Finance) advisory. He has extensive expertise and experience in international corporate finance, mergers & acquisitions, cross-border direct investments and hedge funds' investment, with emphases in lifestyle, real estate and hospitality sectors.

He held directorate level or strategist positions with multinational financial and emerging companies internationally. Besides the Company, he currently serves as the non-executive Chairman of the Board of Luk Fook Holdings Limited (stock code: 0590), and as the non-executive director of Asian Capital Resources (Holdings) Limited (stock code: 8025). Both of these companies are listed in Hong Kong.

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

Mr. LAI Chik Fan, Raymond ("Mr. Lai"), aged 60, who joined the Board in 2004 was born in China and educated in Hong Kong and the U.S. A seasoned investment banker with over 30 years' experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equities sales and distribution. Mr. Lai is currently the Managing Director of AR Evans Capital Limited. In the past, he had worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd. Mr. Lai serves as a director for a number of listed companies in Hong Kong. He was a non executive director of China Medical and Bio Science Ltd (listed on the GEM Board) but resigned in July 2007. On 10 August 2007, he was appointed as an executive director of China Golden Development Holdings Ltd. (listed on the Main Board), and subsequently resigned in October 2008.

Dr. TSE Hiu Tung, Sheldon ("Dr. Tse"), aged 44, who joined the Board in October 2005, is a partner at a law firm in Hong Kong practising corporate and commercial law and has over 15 years' experience in corporate finance, mergers and acquisitions, private equity transactions, joint ventures and regulatory matters, relating to business in the PRC. Dr. Tse was admitted to practise law in Hong Kong, England & Wales and the PRC. He graduated with a bachelor of laws degree from Zhongshan University in Guangzhou in 1986. Dr. Tse obtained a master of laws degree and a doctorate of philosophy in law from the University of London, the United Kingdom in 1989 and 1993 respectively. He is appointed to the arbitrators' panel of the Guangzhou Arbitration Commission and a China-appointed attesting officer, and is also a member of the Hong Kong Securities Institute.

BIOGRAPHICAL DETAILS OF DIRECTORS

C. COMPANY SECRETARY

Mr. TSO Shiu Kei, Vincent ("Mr. Tso"), aged 42, is a solicitor practising in Hong Kong and a partner of K&L Gates. He has extensive experience in corporate finance, corporate compliance and China practice in Hong Kong. Mr. Tso obtained a bachelor's degree in laws and a bachelor's degree in commerce from the University of Queensland, Australia. He was admitted as a solicitor in Australia in 1992 and then of the High Court of Hong Kong in 1994.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 37. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 133.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 45 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2008 are set out in the consolidated statement of changes in equity and note 46 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2008 are set out in note 17 to the financial statements.

PROPERTIES FOR SALE

Details of movement in properties for sale of the Group during the year are set out in note 27 to the financial statements.

Report of the Directors

DIRECTORS

The Directors during the year 2008 and up to the date of this report were as follows:

Executive Directors

Mr. Dai Zhikang
Mr. Zhu Nansong (appointed on 21 January 2009)
Mr. Fang Bin
Mr. Tang Jian
Ms. Zhou Yan (appointed on 21 January 2009)
Mr. Wu Yang (appointed on 21 January 2009)
Mr. Wang Zhe (appointed on 21 January 2009)
Mr. Zhang Wei (resigned on 21 January 2009)
Mr. Lu Puling (resigned on 21 January 2009)
Mr. Wang Xiangang (resigned on 21 January 2009)
Mr. Ye Wenbin (resigned on 21 January 2009)

Independent non-executive Directors

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

According to bye-laws of the Company, Dai Zhikang, Fang Bin, Tang Jian and Lo Mun Lam, Raymond shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting. No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares	Capacity and nature of interests	Approximate percentage of issued share capital
Mr. Dai	6,104,685,000 (L)	Interests of controlled corporation *(Note)*	59.32%
Mr. Fang Bin	50,000,000 (L)	Beneficial owner	0.49%
Mr. Tang Jian	10,000,000 (L)	Beneficial owner	0.10%
Mr. Zhang Wei (resigned on 21 January 2009)	50,000,000 (L)	Beneficial owner	0.49%
Mr. Lu Puling (resigned on 21 January 2009)	30,000,000 (L)	Beneficial owner	0.29%
Mr. Wang Xiangang (resigned on 21 January 2009)	20,000,000 (L)	Beneficial owner	0.19%
Mr. Ye Wenbin (resigned on 21 January 2009)	5,000,000 (L)	Beneficial owner	0.05%

(L) denotes long position

Note: Mr. Dai is deemed to be interested in an aggregate of 6,104,685,000 Shares held by Giant Glory, Jointex Investment and Dorsing Star Limited, respectively, as follows:

(a) 1,760,685,000 Shares are held by Giant Glory in which is wholly-owned by Mr. Dai;

(b) 3,344,000,000 Shares are held by Jointex Investment in which is owned as to 85% by Giant Glory;

(c) 1,000,000,000 Shares are held by Dorsing Star Limited which is wholly owned by Master Faith Group Limited. All shares of Master Faith Group Limited are held by DBS Trustee H.K. (Jersey) Limited in its capacity as trustee of the DLD Trust, the beneficiaries of which include Liu Qiong Yu and Dai Mo Cao, both are family members of Mr. Dai. Mr. Dai is the settlor of the DLD Trust and therefore is deemed to be interested in the 1,000,000,000 Shares held by Dorsing Star Limited.

Report of the Directors

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2008.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS', SUPERVISORS AND SENIOR EXECUTIVES' EMOLUMENTS

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

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

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

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 45(d) to the financial statements. At the date of this report, no share option has been granted under the share option scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 45(d) to the financial statements, at no time during the year 2008 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the connected transactions set out in note 52 to the financial statements and as set out in the section headed "Connected and related party transactions" below, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year 2008 or any time during the year 2008.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2008, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules and details of these transactions are set out in note 52 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year 2008 and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business. As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

Report of the Directors

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2008, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory *(Note 1)*	The Company	Beneficial owner	1,760,685,000 Shares (L)	17.11%
Jointex Investment *(Note 1)*	The Company	Beneficial owner	3,344,000,000 Share (L)	32.49%
Dorsing Star Limited *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	9.72%
Liu Qiong Yu *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	9.72%
Dai Mo Cao *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	9.72%
Master Faith Group Limited *(Note 1)*	The Company	Interests of controlled corporation	1,000,000,000 Shares (L)	9.72%
DBS Trustee H.K. (Jersey) Limited *(Note 1)*	The Company	Trustee	1,000,000,000 Shares (L)	9.72%
China Alliance Properties Limited *(Note 2)*	The Company	Beneficial owner	658,095,000 Shares (L)	6.39%
Shanghai Forte Land Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	658,095,000 Shares (L)	6.39%

Report of the Directors

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Shanghai Fosun High Technology (Group) Company Limited *(Note 2)*	The Company	Interests of controlled corporation	658,095,000 Shares (L)	6.39%
Fosun International Limited *(Note 2)*	The Company	Interests of controlled corporation	658,095,000 Shares (L)	6.39%
Fosun Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	658,095,000 Shares (L)	6.39%
Fosun International Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	658,095,000 Shares (L)	6.39%
Guo Guangchang *(Note 2)*	The Company	Interests of controlled corporation	658,095,000 Shares (L)	6.39%
Honour Great Holdings Limited *(Note 3)*	The Company	Beneficial owner	556,540,000 Shares (L)	5.41%
Ms. Liu Lijuan *(Note 3)*	The Company	Interests of controlled corporation	556,540,000 Shares (L)	5.41%

(L) denotes long position

Notes:

1. These Shares are the same as the deemed interest of Mr. Dai as referred to in the note under the section headed "Directors' interests" above.

Report of the Directors

2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 77.66% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Company Limited, which has 49.03% control of Shanghai Fosun Pharmaceutical (Group) Company Limited, which has 100% control of Shanghai Fosun Pharmaceutical Development Co. Ltd., which has 10.56% control of Shanghai Forte Land Co. Ltd., Shanghai Fosun High Technology (Group) Company Limited has a further 47.12% control of Shanghai Fortei Land Co., Limited, which has 100% control of China Alliance Properties Limited.

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

Save as disclosed above, as at 31 December 2008, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

During the year, the Company purchased 56,465,000 of its own shares on the Stock Exchange of Hong Kong Limited for cancellation at the aggregate price of HK$5,248,000.

Details of the repurchase of senior loan notes are disclosed in note 40 to the financial statements.

Except for the above, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2008, the Group's sales to the five largest customers accounted for 61% of the Group's turnover for the year, of which the largest customer accounted for 28% of the Group's turnover for the year. During the year 2008, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 10% and 32% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

REPORT OF THE DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to reappoint BDO McCabe Lo Limited as auditor of the Company.

PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 16 April 2009, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Dai Zhikang
Director
16 April 2009

Corporate Governance Report

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The composition of the board of Directors (the "Board") for the year ended 31 December 2008 was as follows:

Executive Directors

Mr. Dai Zhikang *(chairman)*
Mr. Fang Bin
Mr. Tang Jian
Mr. Zhang Wei (resigned on 21 January 2009)
Mr. Lu Puling (resigned on 21 January 2009)
Mr. Wang Xiangang (resigned on 21 January 2009)
Mr. Ye Wenbin (resigned on 21 January 2009)

Mr. Zhu Nansong, Mr. Wu Yang, Ms. Zhou Yan and Mr. Wang Zhe were appointed executive Directors on 21 January 2009.

Independent non-executive Directors

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

Corporate Governance Report

For the year ended 31 December 2008, 22 Board meetings were held, among which Mr. Dai Zhikang attended 1 Board meeting, Mr. Fang Bin attended 21 Board meetings, Mr. Zhang Wei attended 21 Board meetings, Mr. Lu Puling attended 1 Board meeting, Mr. Wang Xiangang attended 12 Board meetings, Mr. Tang Jian attended 19 Board meetings and Mr. Ye Wenbin attended 3 Board meetings, Mr. Lai Chik Fan attended 2 Board meetings, Mr. Lo Mun Lam, Raymond attended 2 Board meetings and Dr. Tse Hiu Tung, Sheldon attended 2 Board meetings. The independent non-executive Directors were appointed for a fixed term of 2 years, with Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan's term commencing from 1 January 2009 and Dr. Tse Hiu Tung, Sheldon's term commencing from 14 October 2007. The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Fang Bin, the Company's chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION OF DIRECTORS

The remuneration committee was responsible for, among others, making recommendations on the remuneration of Directors and was responsible for approving any change to existing remuneration package made available to the Directors. The remuneration committee consists of Mr. Tang Jian, Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. The remuneration committee held one meeting during the year to discuss and approve the revised remuneration package of the Directors.

NOMINATION OF DIRECTORS

Candidates for proposed appointment of Directors were first nominated by one of the executive Directors and were assessed according to their work experience and academic achievements in the past. For the year ended 31 December 2008, nil meeting was held by the Board in relation to nomination of Directors as there was no proposal received for nomination of new Directors.

Corporate Governance Report

AUDITOR'S REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2008, the Group had engaged its auditors to provide non-audit service in relation to the Company's acquisition of the entire interest in Giant Hope (details of the acquisition were set out in the announcement of the Company dated 29 April 2008). The services were related to the review and comment on the cash flow forecast prepared by the Company and the preparation of accountant's report. The auditors were remunerated according to the complexity and time required for the assignment and the prevailing market conditions. The fee paid for such service was approximately HK$1,460,000. The auditors also provided non-audit service to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2008. The fee paid for such service was HK$340,000.

AUDIT COMMITTEE

The audit committee comprised of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2008, the audit committee held 2 meetings, at which all of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon attended. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditors regarding their works performed. The Company's annual results for the year ended 31 December 2008 has been reviewed by the audit committee.

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO McCabe Lo Limited, the auditors of the Group are stated in the auditors' report on pages 35 to 36 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the Group. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors.

Corporate Social Responsibility

Over the years, as it develops and grows, the Group has come to appreciate the importance of a corporation to honour its corporate social responsibility. Thus, the Group has strived to build an excellent and unique corporate culture that complements social development and, in the process of raising its competitiveness and influence as a corporation, to also care about the sustainable growth of the society.

Upholding the principle of being responsible to shareholders, the Group has been active in pushing to achieve ever better operational results and share the fruits of our hard work with investors.

Determined to prove its worth of customer trust, the Group has been providing quality and high value-added properties with strong value gain potential making them premium capital investment for the customer. Customer satisfaction has given the Group an excellent brand reputation. The Group is dedicated to delivering maximum value to customers by improving service management level consistently and through consolidation of internal resources. This approach represents not only our determination to fulfill our responsibility towards customers, but is also the cornerstone that has supported the development of the Group over the years.

The Group has been uncompromising when it comes to the quality of its products and the excellence in overall project planning. It places emphasis on the rationales behind a design, the employment of modern engineering, scientific selection of materials and efficient energy management. It focuses on innovation and achieving a perfect marriage of the tangible and intangible attributes of a project with the aim of creating a pleasant space for the public. In the commercial and community development arena, the Thumb Plaza has brought commercial establishments and community living seamlessly together to the benefits of the government, developer, property owners, tenants and occupants. Another project "The Mandarin Palace" is a shining showcase of traditional Chinese aesthetics in modern expression. And, the "Shui Qing Mu Hua Garden", "Zendai Jia Yuan" residential property project, "Wu Dao Kou Financial Centre", "Zendai Cube Tower" and "Radisson Hotel Pudong" are not only examples worthy of emulation by industry peers, but have also given the Group an outstanding and unique brand image.

The Group values generosity, caring and harmony and encourages staff to enjoy work and grow with the Company. The Group also provides employees with training courses and personal development activities, comprising internal and external programmes that match the needs of different level employees. In assuring staff benefits and return of their investment, the Group has assisted employees in organising an independent staff welfare fund and hired a professional financial firm to manage the fund.

Corporate Social Responsibility

As the community becomes more aware of the need to protect the environment, the Group has drawn up internal guidelines on energy conservation, environmental protection and effective use of land resources. The guidelines are refined continually to give concrete and timely reference to our operations. The design of Himalayas Center, for example, in which the Group holds a stake, has actively incorporated environmental protection and green construction concepts. Apart from environment friendly hardware, the Group also implements green management at its residential and commercial projects through its property management companies. Internally, the Group advocates the green office and operations and encourages staff to work with customers and other work parties to promote environmental protection. It has made environmental protection a core measurement in overall management covering areas such as project and operational performance, and property maintenance. With an effective mechanism in place, the Group ensures balance between development and ecological protection.

The Group has been active over the years in giving back to the society. It has donated fund to support the setting up of Hope Primary Schools and community centres in Jiangsu, Jiangxi, Anhui, Qinghai, Tibet and Shanghai to help the under-privileged and support cultural and artistic activities. Immediately after the catastrophic earthquake happened in Wenchuan, Sichuan on 12 May 2008, led by the Chairman of the Group, the Company and all employees sprang to action and raised a total of RMB12 million in donations to help the victims. Of the amount, RMB10 million went to support the Dujiangyan Youai School ("都江堰友愛學校"). Testifying to its dedication to honouring social responsibility, these moves have helped the Group gain wide recognition and support from the society for its business philosophy and also enhanced its corporate image.

The Group understands that for an enterprise to survive and grow healthily in a community, it must fulfill its corporate social responsibility. In the future, the Group will continue to actively participate in charitable activities and contribute to building a harmonious society.

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the consolidated financial statements of Shanghai Zendai Property Limited set out on pages 37 to 132, 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 Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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

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

OPINION

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

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

Hong Kong, 16 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	7	**1,968,603**	1,556,209
Cost of sales		**(989,193)**	(937,488)
Gross profit		**979,410**	618,721
Other income and gains	8	**65,760**	91,415
Distribution costs		**(36,015)**	(44,845)
Administrative expenses		**(182,365)**	(69,333)
Impairment loss on property, plant and equipment	17	**(60,990)**	–
Impairment loss on payment for leasehold land held for own use under operating leases		**(97,298)**	–
Change in fair value of investment properties	18	**(169,018)**	192,665
Write-down of property under development		**(48,708)**	–
Impairment loss on goodwill	21	**(32,492)**	–
Change in fair value of financial assets at fair value through profit or loss		**(73,919)**	–
Share of results of associates		**44,793**	5,139
Share of result of a jointly controlled entity		**(779)**	–
Finance costs	12	**(184,239)**	(94,376)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	50(a)	**371,875**	944
Gain on deemed disposal of a subsidiary	51(a)	**127,986**	–
Profit before tax expenses	9	**704,001**	700,330
Tax expenses	13	**(399,413)**	(343,065)
Profit for the year		**304,588**	357,265
Attributable to:			
– Equity holders of the Company		**317,359**	309,013
– Minority interests		**(12,771)**	48,252
		304,588	357,265
Earnings per share	16		
Basic		**HK3.7 cents**	HK5.0 cents
Diluted		**HK3.7 cents**	HK4.7 cents

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	17	**372,127**	12,822
Investment properties	18	**1,211,852**	955,107
Payment for leasehold land held for own use under operating leases	20	**544,149**	–
Goodwill	21	**144,949**	172,281
Interests in associates	23	**568,064**	72,606
Interest in a jointly controlled entity	24	**–**	62,385
Available-for-sale investments	26	**14,765**	24,858
Total non-current assets		**2,855,906**	1,300,059
Current assets			
Properties under development and for sales	27	**4,639,429**	3,818,309
Inventories	28	**1,154**	–
Trade and other receivables	29	**210,301**	254,021
Deposits for property development	30	**436**	5,105
Financial assets at fair value through profit or loss	31	**21,582**	103,584
Available-for-sale investments	26	**9,271**	3,419
Amounts due from associates	23	**51,764**	–
Amounts due from related companies	32	**27,572**	43,767
Amount due from a minority owner of a subsidiary	33	**–**	908
Tax prepayment	41	**13,058**	18,892
Cash and cash equivalents		**384,405**	1,327,861
		5,358,972	5,575,866
Assets classified as held for sale	34	**28,281**	32,471
Total current assets		**5,387,253**	5,608,337
Total assets		**8,243,159**	6,908,396

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Liabilities			
Current liabilities			
Trade and other payables	35	**574,689**	650,431
Receipts in advance from customers		**788,748**	1,067,051
Amounts due to related companies	36	**62**	190
Amount due to a minority owner of a subsidiary	37	**13,939**	33,632
Bank loans	38	**325,359**	198,776
Convertible notes	39	**–**	64,894
Tax payable	41	**834,063**	459,532
Total current liabilities		**2,536,860**	2,474,506
Net current assets		**2,850,393**	3,133,831
Total assets less current liabilities		**5,706,299**	4,433,890
Non-current liabilities			
Bank loans	38	**689,739**	510,160
Senior loan notes	40	**1,112,497**	1,135,998
Deferred tax liabilities	42	**604,021**	258,207
Total non-current liabilities		**2,406,257**	1,904,365
Total liabilities		**4,943,117**	4,378,871
TOTAL NET ASSETS		**3,300,042**	2,529,525
Capital and reserves attributable to equity holders of the Company			
Share capital	45	**205,825**	140,075
Reserves		**2,926,386**	1,986,624
Equity attributable to equity holders of the Company		**3,132,211**	2,126,699
Minority interests		**167,831**	402,826
TOTAL EQUITY		**3,300,042**	2,529,525

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*17*	**45**	49
Investments in subsidiaries	*49*	**1,002,716**	227,936
Total non-current assets		**1,002,761**	227,985
Current assets			
Other receivables	*29*	**530**	669
Amounts due from subsidiaries	*49*	**1,951,673**	1,617,562
Cash and cash equivalents		**26,041**	579,477
Total current assets		**1,978,244**	2,197,708
Total assets		**2,981,005**	2,425,693
Liabilities			
Current liabilities			
Other payables	*35*	**90,807**	80,148
Amounts due to subsidiaries	*49*	**320,344**	238,231
Convertible notes	*39*	**–**	64,894
Total current liabilities		**411,151**	383,273
Net current assets		**1,567,093**	1,814,435
Total assets less current liabilities		**2,569,854**	2,042,420

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Senior loan notes	40	**1,143,697**	1,135,998
Total liabilities		**1,554,848**	1,519,271
TOTAL NET ASSETS		**1,426,157**	906,422
Capital and reserves attributable to equity holders of the Company			
Share capital	45	**205,825**	140,075
Reserves	46	**1,220,332**	766,347
TOTAL EQUITY		**1,426,157**	906,422

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2008

	Share capital *(Note 45)* HK$'000	Share premium *(Note 46 (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 46(b))* HK$'000	Special capital reserve *(Note 46(c))* HK$'000	Statutory surplus reserve HK$'000	Convertible notes reserve *(Note 46 (d))* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(Note)* HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	115,575	243,015	1,074	157,315	68,541	19,849	15,484	527,388	35,995	181,391	1,365,627	232,315	1,597,942
Translation differences on overseas operation	–	–	–	–	–	–	–	–	110,560	–	110,560	24,879	135,439
Release of revaluation reserve on disposal of properties for development and sales	–	–	–	–	–	–	–	–	–	(70,365)	(70,365)	(11,540)	(81,905)
Income and expenses recognised directly in equity	–	–	–	–	–	–	–	–	110,560	(70,365)	40,195	24,879	65,074
Profit for the year	–	–	–	–	–	–	–	309,013	–	–	309,013	48,252	357,265
Total recognised income and expenses	–	–	–	–	–	–	–	309,013	110,560	(70,365)	349,208	73,131	422,339
Issue of shares	12,000	258,000	–	–	–	–	–	–	–	–	270,000	–	270,000
Transaction costs attributable to issue of new shares	–	(334)	–	–	–	–	–	–	–	–	(334)	–	(334)
Issue of shares upon conversion of convertible notes	12,500	126,588	–	–	–	–	(17,769)	17,769	–	–	139,088	–	139,088
Reverse of deferred tax liabilities	–	–	–	–	–	–	3,110	–	–	–	3,110	–	3,110
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	28,249	28,249
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	132,479	132,479
Distribution to minority owner	–	–	–	–	–	–	–	–	–	–	–	(51,808)	(51,808)
Transfer to statutory surplus reserve	–	–	–	–	–	36,341	–	(36,341)	–	–	–	–	–
At 31 December 2007	140,075	627,269	1,074	157,315	68,541	56,190	825	817,829	146,555	111,026	2,126,699	402,826	2,529,525

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2008

	Share capital *(Note 45)* HK$'000	Share premium *(Note 46 (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 46(b))* HK$'000	Special capital reserve *(Note 46(c))* HK$'000	Statutory surplus reserve HK$'000	Convertible notes reserve *(Note 46 (d))* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(Note)* HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	140,075	627,269	1,074	157,315	68,541	56,190	825	817,829	146,555	111,026	2,126,699	402,826	2,529,525
Translation differences on overseas operation	–	–	–	–	–	–	–	–	147,867	–	147,867	(31,516)	116,351
Release of revaluation reserve on disposal of properties for development and sales	–	–	–	–	–	–	–	–	–	(49,921)	(49,921)	–	(49,921)
Income and expense recognised directly in equity	–	–	–	–	–	–	–	–	147,867	(49,921)	97,946	(31,516)	66,430
Profit for the year	–	–	–	–	–	–	–	317,359	–	–	317,359	(12,771)	304,588
Total recognised income and expenses	–	–	–	–	–	–	–	317,359	147,867	(49,921)	415,305	(44,287)	371,018
Issue of shares	66,880	635,360	–	–	–	–	–	–	–	–	702,240	–	702,240
Cancellation upon repurchase of own shares	(1,130)	(4,118)	–	–	–	–	–	–	–	–	(5,248)	–	(5,248)
Transaction costs attributable to repurchase of shares	–	(67)	–	–	–	–	–	–	–	–	(67)	–	(67)
Revaluation of properties for development and sales arising from business combination	–	–	–	–	–	–	–	–	–	19,619	19,619	–	19,619
Distribution to minority owner	–	–	–	–	–	–	–	–	–	–	–	(94,571)	(94,571)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	159,287	159,287
Further acquisition of subsidiaries *(note 50(c))*	–	–	–	–	–	–	–	(126,337)	–	–	(126,337)	(278,010)	(404,347)
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	420,981	420,981
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(398,395)	(398,395)
Release of reserve*	–	–	–	–	–	–	(825)	825	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	85,303	–	(85,303)	–	–	–	–	–
At 31 December 2008	205,825	1,258,444	1,074	157,315	68,541	141,493	–	924,373	294,422	80,724	3,132,211	167,831	3,300,042

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

* Since the convertible notes have matured, the equity component (i.e. option to convert the debt into share capital) is therefore released and the reserve was transferred to retained profits. Details of the movement in convertible notes are set out in note 39 to the financial statement.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit before tax expenses		**704,001**	700,330
Adjustments for:			
Interest income		**(11,113)**	(28,355)
Dividend income		**(629)**	(550)
Interest expense		**184,239**	118,065
Impairment loss on property, plant and equipment		**60,990**	–
Impairment loss on payment for leasehold land held for own use under operating leases		**97,298**	–
Change in fair value of investment properties	*18*	**169,018**	(192,665)
Write-down of property under development		**48,708**	–
Impairment loss on goodwill		**32,492**	–
Change in fair value of financial assets at fair value through profit or loss		**73,919**	(22,505)
Share of results of associates		**(44,793)**	(5,139)
Share of result of a jointly controlled entity		**779**	–
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	*50(a)*	**(371,875)**	(944)
Gain on deemed disposal of a subsidiary	*51(a)*	**(127,986)**	–
Gain on repurchase of senior loan notes	*40*	**(17,784)**	–
Gain on disposal of assets classified as held for sale		**(18,548)**	–
(Gain)/loss on disposal of a subsidiary	*51(b)*	**(798)**	181
Gain on disposal of available-for-sales investment		**(137)**	(518)
Depreciation of property, plant and equipment		**7,935**	3,384
Amortisation of payment for leasehold land held for own use under operating leases		**13,107**	-
Loss/(gain) on disposal of financial assets at fair value through profit or loss		**5,354**	(32,223)
Written off of property, plant and equipment		**1,206**	64
Amortisation of transaction costs attributable to the issuance of senior loan notes		**7,699**	-
Release of other revaluation reserve on disposal of properties		**(49,921)**	(70,365)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Operating profit before working capital changes		**763,161**	468,760
Increase in trade and other receivables		**(39,230)**	(123,601)
Decrease/(increase) in properties under development and for sales		**29,845**	(371,231)
Decrease in deposits for property development		**–**	63,349
Increase in amounts due from associates		**(51,764)**	–
Decrease/(increase) in amounts due from related companies		**18,743**	(32,551)
Decrease/(increase) in amount due from a minority owner of a subsidiary		**961**	(908)
(Decrease)/increase in trade and other payables		**(168,962)**	22,808
(Decrease)/increase in receipts in advance from customers		**(340,432)**	556,072
Increase/(decrease) in amounts due to related companies		**40,111**	(61,512)
(Decrease)/increase in amount due to a minority owner of a subsidiary		**(35,528)**	855
Cash generated from operations		**216,905**	522,041
Interest received		**11,113**	28,355
Interest paid		**(194,815)**	(115,505)
Income taxes paid		**(246,947)**	(109,634)
Net cash (used in)/from operating activities carried forward		**(213,744)**	325,257

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired	*50(a) and (b)*	**(173,043)**	(683,734)
Acquisition of additional interests in subsidiaries	*50(c)*	**(404,347)**	–
Acquisition of additional interest in an associate	*52(e)*	**(17,499)**	–
Purchase of property, plant and equipment		**(7,432)**	(2,429)
Purchase of financial assets at fair value through profit or loss		**(14,831)**	(78,456)
Proceeds from disposal of financial assets at fair value through profit or loss		**17,560**	65,546
Proceeds from disposal of assets classified as held for sale		**47,969**	–
Proceeds from disposal of available-for-sale investment		**1,648**	518
Proceeds from disposal of investment properties		**7,040**	–
Deemed disposal of a subsidiary, net of cash disposed of	*51(a)*	**(80,708)**	–
Disposal of a subsidiary, net of cash disposed of	*51(b)*	**798**	255
Deposits for acquisition of investment properties		**–**	(184,428)
Purchase of available-for-sale investments		**–**	(6,944)
Dividends received		**629**	550
Investment in an associate		**–**	(67,467)
Capital injection to an associate		**(85,472)**	–
Net cash used in investing activities		**(707,688)**	(956,589)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 HK$'000	2007 HK$'000
Financing activities			
Increase in bank loans		**91,578**	176,283
Repayment of bank loans		**(392,837)**	(330,765)
Proceeds from issue of shares		**–**	270,000
Proceeds from issue of senior loan notes		**–**	1,170,000
Transaction costs attributable to issue of senior loan notes		**–**	(34,002)
Transaction costs attributable to issue of new shares		**–**	(334)
Contribution by a minority owner of a subsidiary		**420,981**	132,479
Distribution to minority owner of a subsidiary		**(94,571)**	(51,808)
Consideration paid for repurchase of shares		**(5,248)**	–
Expenses paid for repurchase of shares		**(67)**	–
Consideration paid for repurchase of senior loan notes		**(13,416)**	–
Repayment of convertible notes		**(64,894)**	–
Net cash flows (used in)/from financing activities		**(58,474)**	1,331,853
Net (decrease)/increase in cash and cash equivalents		**(979,906)**	700,521
Cash and cash equivalents at beginning of year	*54*	**1,327,861**	587,055
Effect of foreign exchange rate changes		**36,450**	40,285
Cash and cash equivalents at end of year	*54*	**384,405**	1,327,861

Notes to the Financial Statements

31 December 2008

1. GENERAL

Shanghai Zendai Property Limited ("the Company") is a public limited company incorporated in Bermuda. Its shares are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is at Unit 6108, 61/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 49. The Group, comprises the Company and all its subsidiaries.

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

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

(a) In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are effective for the current accounting period of the Group and the Company.

Amendments to HKAS 39 and HKFRS 7	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 adoption of the above amendment and new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

Relevant to the Group's operations:

- HKFRS 2 (Amendment), 'Share-based Payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- HKFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed.

- HKFRS 8, 'Operating Segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment Reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. It is not expected to have a material impact on the Group's financial statements as the present segments information has been identified on the basis of internal reports reviewed by the decision-maker.

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Management does not anticipate any material impact on the Group's financial statements as the Group has already followed the principles of capitalise borrowing costs for qualifying assets in accordance with the existing HKAS 23.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

- HK(IFRIC) – Int 15, 'Agreements for Construction of Real Estate' (effective from 1 January 2009). The interpretation clarifies the accounting treatment on revenue recognition of an entity engaged in the construction of real estate. It states that if construction could take place independently of the agreement and buyers have only limited ability to influence the design of the real estate, the agreement will be for the sale of goods or the rendering of services and within the scope of HKAS 18.

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

HKICPA's improvements to HKFRS published in October 2008:

- HKAS 1 (Amendment), 'Presentation of Financial Statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial Instruments: Recognition and Measurement' are examples of current assets and liabilities respectively.

- HKAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial Instruments: Recognition and Measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23.

- HKAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

- HKAS 36 (Amendment), 'Impairment of Assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

- There are a number of minor amendments to HKFRS 7, 'Financial Instruments: Disclosures', HKAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', HKAS 10, 'Events after the Balance Sheet Date', HKAS 18, 'Revenue' and HKAS 34, 'Interim Financial Reporting' which are not addressed above. The Group will apply the above standards, amendments and interpretations from 1 January 2009 or later period, where applicable.

  The Group is currently assessing the impact of these standards, amendments and interpretations on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

Not relevant to the Group's operations:

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27, 'Consolidated and Separate Financial Statements' (effective from 1 July 2009).
- HKAS 32 (Amendment), 'Financial Instruments: Presentation' and HKAS 1 (Amendment), 'Presentation of Financial Statements' – 'Puttable Financial Instruments and Obligations arising on Liquidation' (effective from 1 January 2009).
- HKAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items (effective from 1 July 2009).
- HK(IFRIC) – Int 13, 'Customer Loyalty Programme' (effective from 1 July 2008).
- HK(IFRIC) – Int 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from 1 October 2008).
- HK(IFRIC) – Int 17, 'Distributions of Non-cash Assets to Owners' (effective from 1 July 2009).
- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009).
- HK(IFRIC) – Int 9 and HKAS 39 (Amendment), 'Embedded Derivatives' (effective from 30 June 2009).

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Use of estimate and judgments

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(d) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

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4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

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

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

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

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

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, 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.

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

(c) Associates

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

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

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test in accordance with HKAS 36, by comparing its carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

In the Company's balance sheet, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Jointly controlled entity

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

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

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

(e) Goodwill

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

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

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

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

(f) Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

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

Hotel buildings	Lower of underlying land lease term or 50 years
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and equipment	5 years

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

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

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

(g) Investment properties

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

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

(i) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating lease are charged to the income statement on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. All regular way purchase or sales of financial assets are recognsied and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

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

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

Available-for-sale financial assets: These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. At each balance sheet date subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in equity.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

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

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

For loan and receivables

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

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

For available-for-sale financial assets

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

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related companies, amount due to a minority owner of a subsidiary, bank borrowings and the debt element of convertible notes issued by the Group, are initially recognised at fair value, plus transaction cost directly attributable to the acquisition or issue of the financial liabilities and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within "finance costs" in the income statement.

(iv) Convertible debt

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2008

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(v) Equity instruments

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

(vi) Insurance contracts

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

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

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

(vii) Derecognition

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Properties under development and for sale

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

(l) Inventories

Inventories are initially recognsied at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Non-current assets held for sale

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

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

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

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

Following their classification as held for sale, non-current assets are not depreciated.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Income from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement. Deposits and instalments received from forward sales of properties are carried in the balance sheet under current liabilities.

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when services are rendered.

Income from building management services is recognised when the services are rendered.

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

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

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

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

(o) Income taxes

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

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

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

(i) Defined contribution retirement plan

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

(ii) Termination benefits

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

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

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

- property, plant and equipment;
- payment for leasehold land held for own use under operating leases; and
- investments in subsidiaries, jointly controlled entity and associates

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Capitalisation of borrowing costs

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

(t) Government grants

Government grants received are credited to the income statement as other income except for those amounts received for the purchase of property, plant and equipment, which are recorded as deferred income in the balance sheet and amortised over the useful life of the asset.

(u) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are also discussed below.

Notes to the Financial Statements

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

(a) Impairment of non-financial assets

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

(b) Estimated impairment loss on goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and jointly controlled entity.

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies stated in note 4(e) to the financial statements. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of goodwill is HK$144,949,000, net of accumulated impairment loss of HK$32,492,000. Details of the impairment test is disclosed in note 22.

(c) Provision for properties under development and for sales

The Group assesses the carrying amounts of properties under development and for sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected 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 estimation.

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

(d) Impairment loss on loans and receivables

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

(e) Land appreciation taxes ("LAT")

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

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

6. SEGMENT INFORMATION

(a) Business segment

The Group is currently organised into four main business segments:

Sales of properties	–	Construction of commercial and residential properties for sale
Hotel operations	–	Ownership and operation of hotel business
Properties rental, management and agency services	–	Leasing, management and agency of commercial and residential properties
Travel and related services	–	Provision of travel and related services

Notes to the Financial Statements

31 December 2008

6. SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

Segment information about these business is presented below:

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue – external sales	**1,802,650**	1,507,675	**59,440**	–	**94,681**	33,167	**11,832**	15,367	**1,968,603**	1,556,209
Results										
Segment results	**625,724**	538,928	**(156,723)**	–	**(115,501)**	218,183	**59**	(1,000)	**353,559**	756,111
Unallocated corporate income									**33,809**	91,531
Unallocated corporate expenses									**(43,003)**	(59,019)
Share of results of associates	**44,793**	5,139	**–**	–	**–**	–	**–**	–	**44,793**	5,139
Share of result of a jointly controlled entity	**(779)**	–	**–**	–	**–**	–	**–**	–	**(779)**	–
Finance costs									**(184,239)**	(94,376)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**371,875**	944	**–**	–	**–**	–	**–**	–	**371,875**	944
Gain on deemed disposal of a subsidiary	**127,986**	–	**–**	–	**–**	–	**–**	–	**127,986**	–
Profit before tax expense									**704,001**	700,330
Tax expense									**(399,413)**	(343,065)
Profit for the year									**304,588**	357,265
Assets										
Segment assets	**5,308,169**	5,615,885	**920,219**	–	**1,394,795**	1,042,614	**2,563**	2,371	**7,625,746**	6,660,870
Interests in associates	**568,064**	72,606	**–**	–	**–**	–	**–**	–	**568,064**	72,606
Unallocated assets									**49,349**	174,920
Total assets									**8,243,159**	6,908,396
Liabilities										
Segment liabilities	**1,236,312**	2,337,440	**7,021**	–	**703,453**	1,199	**2,005**	1,946	**1,948,791**	2,340,585
Unallocated liabilities									**2,994,326**	2,038,386
Total liabilities									**4,943,117**	4,378,971

6. SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Unallocated		Group	
	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
Other information												
Capital expenditure	**5,123**	2,348	**833**	–	**1,476**	–	**–**	81	**–**	–	**7,432**	2,429
Impairment loss on property, plant and equipment	**–**	–	**60,990**	–	**–**	–	**–**	–	**–**	–	**60,990**	–
Impairment loss on payment for leasehold land held for own use under operating leases	**–**	–	**97,298**	–	**–**	–	**–**	–	**–**	–	**97,298**	–
Change in fair value of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(73,919)**	22,505	**(73,919)**	22,505
Change in fair value of investment properties	**–**	–	**–**	–	**(169,018)**	192,665	**–**	–	**–**	–	**(169,018)**	192,665
Written-down of property under development	**48,708**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48,708**	–
Depreciation of property, plant and equipment	**3,427**	3,325	**4,015**	–	**450**	–	**43**	59	**–**	–	**7,935**	3,384
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**13,107**	–	**–**	–	**–**	–	**–**	–	**13,107**	–
Gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	181	**798**	–	**798**	181
Written off of property, plant and equipment	**290**	64	**605**	–	**295**	–	**–**	–	**16**	–	**1,206**	64
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(5,354)**	32,223	**(5,354)**	32,223
Gain on repurchase of senior loan notes	**–**	–	**–**	–	**–**	–	**–**	–	**17,784**	–	**17,784**	–
Dividend income from listed equity securities	**–**	–	**–**	–	**–**	–	**–**	–	**629**	550	**629**	550
Gain on disposal of assets classified as held for sale	**18,548**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18,548**	–

Notes to the Financial Statements

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6. SEGMENT INFORMATION *(Continued)*

(b) Geographical segment

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

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

Group	Turnover		Carrying amount of assets		Capital expenditure	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**1,956,771**	1,540,842	**8,206,761**	6,797,401	**7,414**	2,348
Hong Kong	**11,832**	13,201	**36,398**	110,996	**18**	81
Macau	**–**	2,166	**–**	–	**–**	–
	1,968,603	1,556,209	**8,243,159**	6,908,397	**7,432**	2,429

7. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable for the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
	2008	2007
Turnover	**HK$'000**	HK$'000
Sales of properties	**1,802,650**	1,507,675
Hotel operations:		
Room rentals	**44,204**	–
Food and beverage sales	**13,639**	–
Rendering of ancillary services	**1,597**	–
Properties rental, management and agency income	**94,681**	33,167
Travel and related services	**11,832**	15,367
	1,968,603	1,556,209

8. OTHER INCOME AND GAINS

	Group	
	2008	2007
	HK$'000	HK$'000
Change in fair value of financial assets at fair value through profit or loss	**–**	22,505
Gain on disposal of financial assets at fair value through profit or loss	**–**	32,223
Gain on repurchase of senior loan notes	**17,784**	–
Gain on disposal of assets classified as held for sale	**18,548**	–
Bank interest income	**11,113**	28,355
Government grants	**7,358**	–
Forfeited deposits from customers	**2,202**	–
Gain on disposal of a subsidiary *(note 51(b))*	**798**	–
Rental income from car parks	**–**	1,161
Dividend income from listed equity securities	**629**	550
Gain on disposal of available-for-sale investment	**137**	518
Exchange gain, net	**–**	574
Others	**7,191**	5,529
	65,760	91,415

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9. PROFIT BEFORE TAX EXPENSES

Profit before tax expenses is arrived at after charging:

	Group	
	2008	2007
	HK$'000	HK$'000
Cost of sales	**989,193**	937,488
Staff costs *(note 10)*	**71,076**	39,560
Depreciation of property, plant and equipment	**7,935**	3,384
Amortisation of payment for leasehold land held for own use under operating leases	**13,107**	–
Auditor's remuneration	**2,706**	2,614
Loss on disposal of a subsidiary *(note 51(c))*	**–**	181
Loss on disposal of financial assets at fair value through profit or loss	**5,354**	–
Written off of property, plant and equipment	**1,206**	64
Share of tax of associates (included in share of results of associates)	**546**	–
Exchange loss, net	**9,787**	–
Direct operating expenses from investment properties that generated rental income during the year	**8,315**	–

10. STAFF COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	**58,205**	38,433
Contributions to defined contribution retirement plans	**12,871**	1,127
	71,076	39,560

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

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

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

(a) Directors' remuneration

Details of directors' remuneration are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total 2008 HK$'000
Executive directors:				
Mr. Dai Zhikang	–	1,079	12	1,091
Mr. Tang Jian	–	1,690	60	1,750
Mr. Fang Bin	–	1,166	48	1,214
Mr. Zhang Wei *	–	1,080	48	1,128
Mr. Wang Xiangang *	–	920	48	968
Mr. Ye Wenbin *	–	728	48	776
Independent non-executive directors:				
Mr. Lai Chik Fan	120	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	120
Mr. Tse Hi Tang, Sheldon	120	–	–	120
Total	360	6,663	264	7,287

* The directors have resigned with effective from 21 January 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

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

(a) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total 2007 HK$'000
Executive directors:				
Mr. Dai Zhikang	–	1,079	12	1,091
Mr. Tang Jian	–	836	52	888
Mr. Fang Bin	–	703	41	744
Mr. Zhang Wei	–	666	41	707
Mr. Wang Xiangang	–	567	40	607
Mr. Ye Wenbin	–	501	40	541
Independent non-executive directors:				
Mr. Lai Chik Fan	120	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	120
Mr. Tse Hi Tang, Sheldon	120	–	–	120
Total	360	4,352	226	4,938

(b) The five highest paid individuals

In the year ended 31 December 2008, the five highest paid individuals were all directors of the Company, their respective remuneration are disclosed in note 11(a).

In the year ended 31 December 2007, the five highest paid individuals included four directors and the remuneration of the remaining individual was less than HK$1,000,000.

12. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**73,593**	23,710
Interest on bank loans repayable after five years	**3,642**	20,079
Less: amount capitalised in properties under development	**(10,576)**	(23,689)
	66,659	20,100
Interest on convertible notes *(note 39)*	**580**	7,326
Interest on senior loan notes *(note 40)*	**117,000**	66,950
	184,239	94,376

13. TAX EXPENSES

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

	Group	
	2008	2007
	HK$'000	HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	**114,738**	105,578
– under provision in respect of prior years	**729**	35,187
	115,467	140,765
Current tax – LAT		
– tax for the year	**328,783**	189,390
Deferred tax *(note 42)*		
– current year	**(81,953)**	9,718
– effect of change in tax rate	**37,116**	3,192
	(44,837)	12,910
	399,413	343,065

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

13. TAX EXPENSES *(Continued)*

Hong Kong Profits Tax and Macau Complementary Income Tax

No provision for Hong Kong Profits Tax and Macau Complementary Income Tax has been made as the Group has no assessable profits in Hong Kong and Macau for the years ended 31 December 2008 and 2007.

PRC Enterprise Income Tax

PRC subsidiaries are subject to PRC Enterprise Income Tax at rate ranging from 18% to 25% (2007: 15% to 33%).

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

Pursuant to the new PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

13. TAX EXPENSES *(Continued)*

LAT

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

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

	Group	
	2008	2007
	HK$'000	HK$'000
Profit before tax expenses	**704,001**	700,330
Tax calculated at the PRC profits tax rate of 25% (2007: 33%)	**176,000**	229,411
Tax effect of share of result of associates	**(11,198)**	1,696
Tax effect of share of result of a jointly controlled entity	**195**	–
Lower tax rates for specific entities	**(50,029)**	(91,512)
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**(16,900)**	(11,579)
Tax effect of expenses not deductible for tax purposes	**55,129**	26,991
Tax effect of revenue not taxable for tax purposes	**(107,265)**	(28,816)
Tax effect of tax losses not recognised	**11,490**	26,658
Utilisation of tax losses previously not recognised	**(2,677)**	(3,938)
Effect on opening deferred tax balances resulting from the change in applicable tax rate	**37,116**	2,720
Provision of withholding tax on dividend	**26,194**	–
Under provision in respect of prior years	**729**	35,187
	118,784	186,818
LAT	**328,783**	189,390
Tax effect of LAT deductible for calculation of income tax purpose	**(48,154)**	(33,143)
	280,629	156,247
Tax expenses	**399,413**	343,065

Notes to the Financial Statements

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14. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes an amount of HK$177,190,000 (2007: HK$86,881,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividend was paid or proposed for the 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

16. EARNINGS PER SHARE

(a) Basic

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

	2008 **HK$'000**	2007 HK$'000
Profit attributable to equity holders	**317,359**	309,013
Weighted average number of ordinary shares in issue (thousands)	**8,589,830**	6,228,396
Basic earnings per share (HK cents per share)	**3.7**	5.0

16. EARNINGS PER SHARE *(Continued)*

(b) Diluted

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

	2008 **HK$'000**	2007 HK$'000
Profit attributable to equity holders	**317,359**	309,013
Adjustments for interest on convertible notes	**580**	7,326
Profit attributable to equity holders for diluted earnings per share	**317,939**	316,339
Weighted average number of ordinary shares in issue (thousands)	**8,589,830**	6,228,396
Effect of dilutive potential ordinary shares on convertible notes (thousands)	**39,329**	523,367
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**8,629,159**	6,751,763
Diluted earnings per share (HK cents per share)	**3.7**	4.7

Notes to the Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2008					
Cost					
At 1 January 2008	–	8,480	518	12,149	21,147
Exchange differences	(2,212)	602	17	650	(943)
Additions	–	3,029	–	4,403	7,432
Acquired through business combinations *(note 50(a))*	407,528	3,089	–	16,511	427,128
Written off	–	(338)	–	(2,963)	(3,301)
Disposal of a subsidiary *(note 51(a))*	–	(574)	–	(1,196)	(1,770)
At 31 December 2008	405,316	14,288	535	29,554	449,693
Accumulated depreciation and impairment					
At 1 January 2008	–	4,497	207	3,621	8,325
Exchange differences	1,820	459	7	358	2,644
Provided for the year	1,411	2,409	36	4,079	7,935
Impairment loss	60,990	–	–	–	60,990
Eliminated on written off	–	(293)	–	(1,802)	(2,095)
Disposal of a subsidiary *(note 51(a))*	–	(42)	–	(191)	(233)
At 31 December 2008	64,221	7,030	250	6,065	77,566

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

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2007					
Cost					
At 1 January 2007	–	7,878	456	9,889	18,223
Exchange differences	–	687	19	778	1,484
Acquired through business combinations	–	182	–	107	289
Assets classified as held for sale *(note 34(b))*	–	(353)	–	(468)	(821)
Additions	–	408	77	1,944	2,429
Written off	–	(181)	–	(30)	(211)
Disposal of a subsidiary	–	(141)	(34)	(71)	(246)
At 31 December 2007	–	8,480	518	12,149	21,147
Accumulated depreciation					
At 1 January 2007	–	2,538	145	2,598	5,281
Exchange differences	–	323	3	287	613
Assets classified as held for sale *(note 34(b))*	–	(88)	–	(493)	(581)
Provided for the year	–	1,974	93	1,317	3,384
Eliminated on written off	–	(123)	–	(24)	(147)
Disposal of a subsidiary	–	(127)	(34)	(64)	(225)
At 31 December 2007	–	4,497	207	3,621	8,325
Net book values					
At 31 December 2008	341,095	7,258	285	23,489	372,127
At 31 December 2007	–	3,983	311	8,528	12,822

Notes to the Financial Statements

31 December 2008

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

Hotel buildings are pledged to bank to secure a bank loan granted to the Group (note 38).

Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2008			
Cost			
At 1 January 2008	**37**	**284**	**321**
Additions	**–**	**19**	**19**
At 31 December 2008	**37**	**303**	**340**
Accumulated depreciation			
At 1 January 2008	**36**	**236**	**272**
Provided for the year	**1**	**22**	**23**
At 31 December 2008	**37**	**258**	**295**
2007			
Cost			
At 1 January 2007	37	254	291
Additions	–	30	30
At 31 December 2007	37	284	321
Accumulated depreciation			
At 1 January 2007	32	191	223
Provided for the year	4	45	49
At 31 December 2007	36	236	272
Net book values			
At 31 December 2008	–	45	45
At 31 December 2007	1	48	49

18. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
Fair value		
At beginning of year	**955,107**	293,597
Exchange difference	**26,845**	5,724
Acquired through business combinations *(note 50(a))*	**434,239**	–
Transfer from deposits for acquisition of investment properties *(note 25)*	**–**	463,121
Disposed during the year	**(7,040)**	–
Transfer to non-current assets held for sales *(note 34(b))*	**(28,281)**	–
Change in fair value	**(169,018)**	192,665
At end of the year	**1,211,852**	955,107

19. ANALYSIS OF INVESTMENT PROPERTIES

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

	Group	
	2008	2007
	HK$'000	HK$'000
Lands and buildings held in the PRC:		
– Long lease	**11,871**	55,534
– Medium-term lease	**1,199,981**	899,573
	1,211,852	955,107

(b) Investment properties with carrying amount of HK$848,935,000 and HK$362,917,000 were revalued at 31 December 2008 at their open market value by qualified valuers, Jones Lang LaSalle Sallmanns Limited and DTZ Debenham Tie Leung Limited respectively, independent firms of surveyors.

(c) Investment properties with carrying amount of HK$1,003,399,000 (2007: HK$883,526,000) are pledged to bank to secure bank loans granted to the Group (note 38).

(d) Gross rental income from investment properties amounted to HK$55,048,000 (2007: HK$33,167,000).

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20. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payment for leasehold land held for own use under operating leases.

	Group	
	2008	2007
	HK$'000	HK$'000
Land held in the PRC		
– Medium-term lease	**544,149**	–

During the year ended 31 December 2008, impairment loss of approximately HK$97,298,000 (2007: Nil) in respect of the leasehold land held for own use under operating leases had been recognised in the income statement, which were determined with reference to its open market value as determined by qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors.

21. GOODWILL

Group	**HK$'000**
Cost	
At 1 January 2007	60,131
Exchange differences	3,977
Arising from business combinations *(note 50(d))*	108,173
At 31 December 2007	172,281
Exchange differences	5,160
Impairment loss	(32,492)
At 31 December 2008	**144,949**

The carrying amount of goodwill as at 31 December 2008 allocated to five subsidiaries in the sales of properties segment is as follows:

21. GOODWILL *(Continued)*

	2008 **HK$'000**	2007 HK$'000
Sales of properties		
– 上海証大三角洲置業有限公司	**33,709**	31,963
– 上海天海有限責任公司	**–**	31,598
– 嘉興市東方名家房地產開發有限公司	**578**	547
– Lanrich International Limited	**65,417**	65,417
– 上海恒錦房地產開發有限公司	**45,245**	42,756
	144,949	172,281

22. IMPAIRMENT OF GOODWILL

Goodwill acquired through business combination has been allocated to the Group's cash-generating unit ("CGU"), identified according to business segment, for impairment testing. The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation primarily uses cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimation involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectorations. The discount rate applied to the cash flow projections is 11% (2007: 13%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate. The growth rate does not exceed the projected long-term average growth rate for property development in the PRC. Estimation is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

The carrying values of goodwill were tested for impairment as at 31 December 2008 and 2007. The results of the tests undertaken as at 31 December 2008 indicated that impairment charge of HK$32,492,000 was necessary and was recognised in consolidated income statement in current year. The results of impairment tests undertaken at 31 December 2007 indicated no impairment charge was necessary.

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23. INTERESTS IN ASSOCIATES

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**568,064**	72,606
Loans to associates *(note)*	**51,764**	–
	619,828	72,606

Note: The loans are unsecured, interest-free, repayable on demand and included in the current assets.

The investments are unlisted equity interests and details of the Group's associates at 31 December 2008 are as follows:

Name	Form of Business structure	Place of establishment and operations	Paid-up registered capital	Percentage of ownership interest	Principal activities
上海証大喜瑪拉雅置業有限公司	Corporation	The PRC	RMB632,000,000	45%	Property development in the PRC
中科廊坊科技谷有限公司	Corporation	The PRC	RMB200,000,000	30%	Property development in the PRC
青島上實地產有限公司	Corporation	The PRC	US$3,620,000	45%	Property development in the PRC

23. INTERESTS IN ASSOCIATES *(Continued)*

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

	2008	2007
	HK$'000	HK$'000
Total assets	**2,832,837**	343,627
Total liabilities	**(1,144,660)**	(101,605)
Net assets	**1,688,177**	242,022
Group's share of net assets of associates	**568,064**	72,606
Revenue	**–**	–
Loss for the year	**(15,734)**	(4,961)
Group's share of results of the associates for the year	**(882)**	–
Excess of the Group's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**45,675**	5,139

24. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**–**	62,385

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24. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The Group's share of the jointly controlled entity ("JCE")'s capital commitments was HK$1,474,000 at 31 December 2007.

The investment was unlisted equity interest and details of the Group's JCE at 31 December 2007 are as follows:

Name	Form of business structure	Place of establishment and operations	Paid-up registered capital	Percentage of ownership interest	Principal activities
青島上實地產有限公司	Corporation	The PRC	US$3,620,000	25%	Property development in the PRC

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

	Group	
	2008	2007
	HK$'000	HK$'000
Non-current assets	–	696
Current assets	–	591,531
Current liabilities	–	(53,967)
Non-current liabilities	–	(288,719)
Net assets	–	249,541
Income	**1,796**	2,687
Expenses	**(800)**	(7,925)
Profit/(loss) for the year	**996**	(5,238)
Group's share of loss of the JCE from January to June 2008	**(779)**	–

The JCE was acquired near year ended 31 December 2007, no post-acquisition loss was shared by the Group in 2007 as loss was insignificant.

The Group has a 25% interest in a JCE, 青島上實地產有限公司 which is accounted for using the equity method for the year ended 31 December 2007. In 2008, additional 20% equity interest was acquired through the acquisition of Giant Hope Investments Limited as disclosed in note 50(a) and its was classified as investment in associate in 2008 due to amendment of the entity's Memorandum of Association.

25. DEPOSITS FOR ACQUISITION OF INVESTMENT PROPERTIES

The amount represents deposits paid for the acquisition of investment properties.

	Group	
	2008	2007
	HK$'000	HK$'000
At the beginning of year	**–**	262,283
Exchange difference	**–**	16,410
Additions	**–**	184,428
Transfer to investment properties	**–**	(463,121)
At end of year	**–**	–

26. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted equity interests, at cost *(note (a))*	**18,383**	21,333
Investment funds, at fair value *(note (b))*	**5,653**	6,944
	24,036	28,277

	Group	
	2008	2007
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current assets	**14,765**	24,858
Current assets	**9,271**	3,419
	24,036	28,277

Notes:

(a)(i) The balance included an investment cost of HK$14,765,000 (2007: HK$17,914,000) in two (2007: two) private entities established in the PRC and were classified under non-current assets. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that the fair value cannot be measured reliably.

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

Notes: (Continued)

(a)(ii) The balance included an investment cost of HK$3,618,000 (2007: HK$3,419,000) in a private entity. In August 2006, the Group signed an agreement with an independent third party to acquire 40% equity interest in a limited liability company ("Investee") incorporated in the PRC at a consideration of RMB3,200,000 (2007: RMB3,200,000) and advance a loan of RMB21,800,000 (2007: RMB21,800,000) to the Investee. The loan was included in the other receivables (note 29). Pursuant to the agreement, the vendor is entitled to exercise a call option to repurchase the 40% equity interests within one year and the Group is also entitled to exercise a put option to sell the 40% equity interests to the vendor after one year without expiry date. Upon exercise of these options, the Group is entitled to receive from the vendor a certain sum as stipulated in the agreement. The Group is not entitled to profit distribution from the Investee. As at balance sheet date, the Group has not yet exercised its put option.

The investment cost of RMB3,200,000 (2007: RMB3,200,000) was not classified as investment in associate under HKAS 28 "Investment in Associates", as the directors believe that the Group is not able to exercise significant influence over the financial and operational decision of the Investee. The investment cost has been classified as available-for-sale financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement" under current assets.

(b) These funds are operated by the Agricultural Bank of China, according to the funds prospectus, these funds will be invested in listed and unlisted securities in the PRC and other commodities contracts. The expected return to these funds ranging from 4% to 9% as estimated by the issuers.

27. PROPERTIES UNDER DEVELOPMENT AND FOR SALES

	Group	
	2008	2007
	HK$'000	HK$'000
Properties		
– Under development	**3,483,114**	2,279,960
– For sales	**1,156,315**	1,538,349
	4,639,429	3,818,309

Properties under development and for sales with carrying amount of HK$1,005,661,000 (2007: HK$464,552,000) are pledged to banks to secure bank loans (note 38) granted to the Group.

Accumulated finance costs of approximately HK$102,526,000 (2007:HK$124,536,000) were capitalised in the properties under development and for sales.

28. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Food, beverage and low value consumables	**1,154**	–

29. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note a)*	**37,186**	71,759	**–**	–
Deposits	**73,177**	78,825	**478**	452
Prepayments	**38,858**	60,666	**52**	217
Other receivables *(note b)*	**61,080**	42,771	**–**	–
	210,301	254,021	**530**	669

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

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29. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2008	2007
	HK$'000	HK$'000
Current *(i)*	**28,308**	356
Less than one month past due	**3,936**	64,299
1 to 3 months past due	**14**	2,353
More than 3 months but less than 12 months past due	**1,615**	4,187
More than 12 months past due	**3,313**	564
Amount past due at balance sheet date but not impaired *(ii)*	**8,878**	71,403
	37,186	71,759

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$8,878,000 (2007: HK$71,403,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(j)(ii).

(b) The balance does not contain impaired assets.

30. DEPOSITS FOR PROPERTY DEVELOPMENT

	Group	
	2008	2007
	HK$'000	HK$'000
Prepayment to property construction contractors	**436**	5,105

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Held for trading		
– Open-ended mutual funds quoted in the PRC	**–**	1,068
– Equity securities listed in Hong Kong at market value	**21,582**	102,516
	21,582	103,584

32. AMOUNTS DUE FROM RELATED COMPANIES

Loans advanced by the Group:

Name of related companies	Directors having interests	Group 2008 HK$'000	Group 2007 HK$'000	Maximum amount outstanding during the year HK$'000
上海証大西鎮發展有限公司	Dai Zhikang	**–**	11,303	11,303
Zendai Investment Development Limited	Dai Zhikang	**12,660**	11,956	12,660
証大商業旅遊投資發展有限公司	Dai Zhikang	**–**	20,508	20,508
上海証大投資發展有限公司	Dai Zhikang	**5,812**	–	109,126
青島凱倫投資咨詢有限公司	Dai Zhikang	**9,045**	–	9,045
上海証大現代藝術館	Dai Zhikang	**55**	–	55
		27,572	43,767	

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

33. AMOUNT DUE FROM A MINORITY OWNER OF A SUBSIDIARY

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

34. ASSETS CLASSIFIED AS HELD FOR SALE

(a) On 3 April 2008, the Group entered into an agreement with an independent third party to dispose of a subsidiary, 四川博覽置業有限公司 at a consideration of RMB42,160,000. The sale completed in 2008 and the gain on disposal of asset classified as held for sales of HK$18,548,000 was recognised in income statement in 2008. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated balance sheet as at 31 December 2007.

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

(b) In 2008, the Group entered into agreements to sell certain investment properties at a consideration of RMB25,015,000 (approximately HK$28,281,000) and was committed to deliver the properties to buyers in 2009. The carrying amount of the investment properties transferred to assets classified as held for sale was RMB25,015,000 (approximately HK$28,281,000).

35. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors *(a)*	**286,451**	324,057	**–**	–
Other payables and accruals	**288,238**	326,374	**90,807**	80,148
	574,689	650,431	**90,807**	80,148

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

	Group	
	2008	2007
	HK$'000	HK$'000
Current or less than 1 month	**430**	247,210
1 – 3 months	**78,297**	3,076
More than 3 months but less than 12 months	**28,364**	2,073
More than 12 months	**144,212**	34,198
	251,303	286,557
Retention money	**35,148**	37,500
	286,451	324,057

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

36. AMOUNTS DUE TO RELATED COMPANIES

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

37. AMOUNT DUE TO A MINORITY OWNER OF A SUBSIDIARY

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

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38. BANK LOANS

	Group	
	2008	2007
	HK$'000	HK$'000
Secured *(note a)*	**1,015,098**	612,782
Unsecured	**–**	96,154
	1,015,098	708,936

At the balance sheet date, total current and non-current bank loans were repayable as follows:

	2008	2007
Bank loans repayable:		
Within one year	**325,359**	198,776
More than one year, but not exceeding two years	**116,164**	323,594
More than two years, but not exceeding five years	**357,344**	118,856
After five years	**216,231**	67,710
	1,015,098	708,936
Less: Amount due within one year included in current liabilities	**(325,359)**	(198,776)
Amount due after one year	**689,739**	510,160

(a) The bank loans are secured by the Group's hotel building (note 17), investment properties (note 18) and properties under development and for sales (note 27). Corporate guarantee had been given to certain of bank loans by a related company, which are beneficially owned by Mr. Dai Zhikang, a director and substantial shareholder of the Company.

39. CONVERTIBLE NOTES

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

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

The movement of liability component of convertible notes as follows:

	Group and Company		
	Convertible notes due 2008 *(note a)*	**Convertible notes due 2009** *(note b)*	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Liability component at 1 January 2007	64,686	138,259	202,945
Interest expense *(note 12)*	3,478	3,848	7,326
Interest paid	(3,270)	(3,019)	(6,289)
Conversion to share capital	–	(139,088)	(139,088)
Liability component at 31 December 2007	64,894	–	64,894
Interest expense *(note 12)*	580	–	580
Interest paid	(580)	–	(580)
Repaid during the year	(64,894)	–	(64,894)
Liability component at 31 December 2008	–	–	–

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39. CONVERTIBLE NOTES *(Continued)*

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Liability component of convertible notes analysed for reporting purpose as:		
Current liabilities	**–**	64,894

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

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

The interest is payable semi-annually in arrears at specified interest rates on the principal amount outstanding from time to time accruing from the date of issue of the convertible notes on a daily basis. The specified interest rates are 4.75% per annum in the first year, 5% per annum in the second year and 5.25% per annum in the third year from 24 February 2005, the date of issue of the convertible notes.

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

On 20 December 2006, the convertible notes in the principal amount of HK$18,630,000 were converted into fully paid shares at the conversion price of HK$0.24 per share, 67,500,000 shares were issued upon conversion.

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

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

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

39. CONVERTIBLE NOTES *(Continued)*

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

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

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

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

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

40. SENIOR LOAN NOTES

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

During the year ended 31 December 2008, the Group through a subsidiary repurchased the Notes with principal amount of US$4,000,000 at a total consideration of US$1,700,000. The gain of HK$17,784,000 on repurchase was recognsied in the income statement.

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41. TAX PREPAYMENT/PAYABLE

	Group	
	2008	2007
	HK$'000	HK$'000
Tax prepayment		
PRC Enterprise Income Tax prepayments	**8,831**	18,320
LAT prepayment	**4,227**	572
	13,058	18,892
Tax payable		
PRC Enterprise Income Tax payable	**5,016**	109,297
LAT provision *(note)*	**829,047**	350,235
	834,063	459,532

Note:

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

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

42. DEFERRED TAX LIABILITIES

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

	Group					
	Revaluation of property, plant and equipment HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Convertible notes HK$'000	Withholding tax on dividend HK$'000	Total HK$'000
At 1 January 2007	–	(2,770)	105,240	3,110	–	105,580
Exchange differences	–	647	4,707	–	–	5,354
Charge/(credit) to income statement for the year	–	45,413	(35,695)	–	–	9,718
Charge to equity for the year	–	–	–	(3,110)	–	(3,110)
Effect of change in tax rate	–	470	2,722	–	–	3,192
Arising from acquisitions of subsidiaries	–	–	137,473	–	–	137,473
At 31 December 2007	**–**	**43,760**	**214,447**	**–**	**–**	**258,207**
Exchange differences	**(2,235)**	**(883)**	**11,676**	**–**	**724**	**9,282**
Charge/(credit) to income statement for the year	**(39,572)**	**(40,910)**	**(27,665)**	**–**	**26,194**	**(81,953)**
Effect of change in tax rate	**–**	**–**	**37,116**	**–**	**–**	**37,116**
Arising from acquisitions of subsidiaries *(note 50(a))*	**199,186**	**82,083**	**100,100**	**–**	**–**	**381,369**
At 31 December 2008	**157,379**	**84,050**	**335,674**	**–**	**26,918**	**604,021**

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42. DEFERRED TAX LIABILITIES *(Continued)*

	Company
	Convertible notes
	HK$'000
At 1 January 2007	3,110
Charge to equity for the year	(3,110)
At 31 December 2007 and 2008	**–**

At 31 December 2008, the Company has no material deferred tax liabilities. At 31 December 2007, the Group and the Company has unprovided deferred tax liabilities of approximately HK$181,000 in respect of the convertible notes.

A deferred tax asset has not been recognised for the following temporary differences:

	Group	
	2008	2007
	HK$'000	HK$'000
Deductible temporary differences	**10,778**	–
Unused tax losses	**21,452**	40,797
	32,230	40,797

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax loss of HK$30,840,000 was disallowed by Inland Revenue Department of Hong Kong in 2008 and the tax losses of HK$8,627,000 (2007: HK$40,796,583) can be carried forward indefinitely and the tax losses of HK$12,825,000 (2007: HK$1,329,000) will expire in five years' time. No deferred tax asset has been recognised in relation to deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Market risks

(a) Interest rate risk

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

The Group's interest rate risk relates primarily to its fixed and floating interest rate bank borrowings subject to negotiation on annual basis (see note 38). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Company's convertible notes and senior loan notes were issued at fixed rate and do not expose the Company to fair value interest rate risk.

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

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Interest rate profile

The following table details interest rates analysis that the management of the Group evaluates their interest rate risk.

	Group				Company			
	2008		2007		**2008**		2007	
	Effective interest rate		Effective interest rate		**Effective interest rate**		Effective interest rate	
	(%)	**HK$'000**	(%)	HK$'000	**(%)**	**HK$'000**	(%)	HK$'000
Financial liabilities								
Fixed rate borrowings								
– Bank loans	**7.41%**	**672,357**	6.91%	240,384	**–**	**–**	–	–
– Convertible notes	**–**	**–**	5.46%	64,894	**–**	**–**	5.46%	64,894
– Senior loan note	**10.00%**	**1,112,497**	10.00%	1,135,998	**10.00%**	**1,143,697**	10.00%	1,135,998
Floating rate borrowings								
– Bank loans	**6.57%**	**342,741**	7.08%	468,552	**–**	**–**	–	–
Financial assets								
Floating rate financial assets								
– Cash and cash equivalents	**2.72%**	**384,405**	2.13%	1,327,861	**2.72%**	**26,041**	2.13%	579,477

Sensitivity Analysis

At the respective balance sheet dates, if lending interest rates set by the People's Bank of China had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$1,034,000 (2007: HK$4,756,000) for the year ended 31 December 2008.

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

Market risks *(Continued)*

(b) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other their functional currency.

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

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
United States dollars ("USD")	**22,817**	394,203	**21,799**	339,172
Liabilities				
USD	**1,112,497**	1,144,448	**1,143,697**	1,144,448

Sensitivity Analysis

The Company mainly exposes to the currency risk of USD, but the management does not expect any significant movements in the USD/HKD exchange rate as HKD is pegged to USD. In this regard, the Company does not consider itself exposed to significant currency risk arising from USD.

The Group mainly exposes to the currency risk of USD. The sensitivity analysis on foreign exchange risk includes monetary financial assets and liabilities that are denominated in USD. The following table indicates the approximate effect on the profit after tax in the next accounting period in response to reasonably possible changes in USD/RMB exchange rate to which the Group has significant exposure at the balance sheet date.

	Group	
	2008	2007
	HK$'000	HK$'000
USD to RMB		
Appreciates by 5%	**(45,494)**	(30,006)
Depreciates by 5%	**45,494**	30,006

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

Market risks *(Continued)*

(c) Equity price risk

The Group is exposed to equity price risk on the financial assets at fair value through profit or loss (held for trading) (note 31). Where the Group has generated a significant amount of surplus cash, it will invest in listed investments to improve profitability. The Group's investments in the above are limited to equity instruments listed in Hong Kong. The Group diversifies its investment portfolio to optimize the risk and return. The directors believe that the exposure to equity price risk from these activities is acceptable in the Group's circumstances.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year would increase/decrease by HK$901,000 (2007: increase/decrease in profit for the year by HK$5,279,000) for the Group as a result of change in fair value of investments at fair value through profit or loss.

Liquidity risk

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

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

Market risks *(Continued)*

(c) Equity price risk (Continued)

Liquidity risk *(Continued)*

The contractual maturities of financial liabilities are shown as below:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
In less than one year	**1,053,824**	2,131,974	**528,151**	500,273
In more than one year but not more than two years	**241,295**	440,593	**117,000**	117,000
In more than two years but not more than three years	**267,635**	154,252	**117,000**	117,000
In more than three years but not more than four years	**1,408,466**	156,553	**1,287,000**	117,000
In more than four years but not more than five years	**110,256**	1,329,051	**-**	1,287,000
In more than five years	**231,369**	67,711	**–**	–
	3,312,845	4,280,134	**2,049,151**	2,138,273

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 and 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and guarantees provided by the Group as disclosed in note 53. The Group has policies in place to determine credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

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44. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- The directors considered that the carrying amounts of the financial assets and liabilities approximate their fair value.

45. SHARE CAPITAL

(a) Authorised and issued share capital

	Company			
Authorised	**2008 Number**	**2008 HK$'000**	2007 Number	2007 HK$'000
Ordinary shares of HK$0.02 each *(note a)*	**20,000,000,000**	**400,000**	10,000,000,000	200,000

Issued and fully paid	**2008 Number**	**2008 HK$'000**	2007 Number	2007 HK$'000
Ordinary shares of HK$0.02 each				
At beginning of the year	**7,003,738,182**	**140,075**	5,778,738,192	115,575
Other issues for cash during the year *(note (b))*	**–**	**–**	600,000,000	12,000
Other issues for acquisition of subsidiaries during the year *(note (c))*	**3,344,000,000**	**66,880**	–	–
Debt conversion rights exercised *(note (d))*	**–**	**–**	624,999,990	12,500
Cancellation upon repurchase of shares *(note (e))*	**(56,465,000)**	**(1,130)**	–	–
At end of the year	**10,291,273,182**	**205,825**	7,003,738,182	140,075

45. SHARE CAPITAL *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Notes:

During the years ended 31 December 2008 and 2007, the following changes in the Company's authorised and issued share capital took place:

(a) In order to accommodate the future expansion and growth of the Group as well as to accommodate the issue of the shares as detailed in note 50(a), on 29 April 2008 a resolution has passed in a shareholders' meeting to increase the authorised share capital of the Company from HK$200,000,000 divided into 10,000,000,000 shares to HK$400,000,000 divided into 20,000,000,000 shares by the creation of additional 10,000,000,000 new authorised shares.

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

(c) On 10 July 2008, the Company issued 3,344,000,000 shares at HK$0.21 per share. The share capital increased by HK$66,880,000 and share premium of HK$635,360,000 was credited to the share premium reserve. The shares were issued in relation to the acquisition as detailed in note 50(a).

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

(e) The Company was authorised to purchase its own shares not exceeding 10% of the aggregate nominal amount of its issued share capital. During the year, the Company repurchased its shares on the Stock Exchange when the directors are of the view that the shares were significantly trading at a discount in order to enhance shareholders' value.

The details of repurchase of the Company's own ordinary shares on the Stock Exchange are as follows:

Month of repurchase in 2008	Number of shares of nominal value of HK$0.02 each repurchased	Consideration per share Highest HK$	Consideration per share Lowest HK$	Aggregate consideration paid HK$'000
September	2,910,000	0.1190	0.1170	341
October	15,325,000	0.0990	0.0720	1,328
November	31,730,000	0.0980	0.0840	2,961
December	6,500,000	0.1000	0.0910	618
	56,465,000			5,248

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof. The premium paid and the related costs on repurchases of the shares of HK$4,185,000 was charged to share premium.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

45. SHARE CAPITAL *(Continued)*

(b) Issued share options

The Company granted 265,833,333 share options to the subscriber of the convertible notes with exercise price of HK$0.24 per share, each share option is convertible into one ordinary share of the Company for the period from 23 February 2008 to 22 February 2010. Details of the convertible notes were disclosed in the announcement of the Company dated 2 February 2005.

(c) Capital management policy

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

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 38, convertible notes disclosed in note 39, and senior loan notes disclosed in note 40, and equity attributable to equity holders of the Company which comprising share capital and reserves.

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

(d) Share option scheme

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

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

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

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

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

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

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

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

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

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46. RESERVES

Company	Share premium *(note (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(note (b))* HK$'000	Special capital reserve *(note (c))* HK$'000	Convertible notes reserve *(note (d))* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	243,015	1,074	157,315	68,541	15,484	(19,565)	465,864
Deferred tax liabilities	–	–	–	–	3,110	–	3,110
Issue of shares	258,000	–	–	–	–	–	258,000
Transaction costs attributable to issue of new shares	(334)	–	–	–	–	–	(334)
Issue of shares upon conversion of convertible notes	126,588	–	–	–	(17,769)	17,769	126,588
Loss for the year	–	–	–	–	–	(86,881)	(86,881)
At 31 December 2007	627,269	1,074	157,315	68,541	825	(88,677)	766,347
Issue of shares	635,360	–	–	–	–	–	635,360
Cancellation upon repurchase of shares	(4,118)	–	–	–	–	–	(4,118)
Transaction costs attributable to repurchase of shares	(67)	–	–	–	–	–	(67)
Release of reserve*	–	–	–	–	(825)	825	–
Loss for the year	–	–	–	–	–	(177,190)	(177,190)
At 31 December 2008	**1,258,444**	**1,074**	**157,315**	**68,541**	**–**	**(265,042)**	**1,220,332**

At 31 December 2007 and 2008, the Company has no reserves available for distribution to shareholders.

46. RESERVES *(Continued)*

Note:

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

(b) The Company's contributed surplus account represents the credit arising from the effect of share premium offset against accumulated losses in previous years.

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

(d) The equity conversion component on issue for convertible notes (i.e. option to convert the debt into share capital).

* Since the convertible notes have matured, the equity component (i.e. option to convert the debt into share capital) is therefore released and the reserve was transferred to accumulated losses. Details of the movement in convertible notes are set out in note 39 to the financial statement.

47. LEASES

Operating leases – lessee

The lease payments recognised as expenses are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Minimum lease payments	**15,829**	4,144	**1,333**	732

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**34,281**	1,025	**1,748**	164
Later than one year and not later than five years	**110,526**	1,067	**830**	–
Later than five years	**52,021**	–	**–**	–
	196,828	2,092	**2,578**	164

Notes to the Financial Statements

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47. LEASES *(Continued)*

Operating leases – lessee *(Continued)*

Operating lease payments in respect of rented premises payable by the Group relate to certain of commercial properties for sub-letting and certain of its office premises. Leases are negotiated for an average term of two to five years. Certain future minimum lease payments are calculated on certain percentage of the actual rent received from the specified properties during the contractual period.

Operating leases – lessor

The Group's investment properties and properties for sales are leased to number of tenants for leasing period from 10 to 20 years and from 1 to 3 years respectively. The sub-lease rental income at 31 December 2008 was HK$15,313,000 (2007: HK$nil).

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

	Group	
	2008	2007
	HK$'000	HK$'000
Not later than one year	**82,776**	51,923
Later than one year and not later than five years	**235,100**	208,754
Later than five years	**299,703**	334,821
	617,579	595,498

48. RETIREMENT BENEFITS SCHEMES

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

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

49. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**1,002,716**	227,936
Amounts due from subsidiaries	**1,951,673**	1,617,562
Amounts due to subsidiaries	**(320,344)**	(238,231)

As at 31 December 2008 and 2007, the amounts due from/to subsidiaries are unsecured, interest free, repayable on demand and included in the Company's current assets and current liabilities respectively.

Particulars of the Company's principal subsidiaries as at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
上海証大置業有限公司 *(note 2)*	The PRC	RMB820,000,000	–	100%	Property development in the PRC
上海証大三角洲置業有限公司 *(note 1, 2)*	The PRC	RMB400,000,000	–	100%	Property development in the PRC
上海証大五道口房地產開發有限公司 *(note 2)*	The PRC	RMB240,000,000	–	100%	Property development in the PRC
上海天海有限責任公司 *(note 2)*	The PRC	RMB80,000,000	–	100%	Property development in the PRC

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49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
上海証大商業旅遊投資發展有限公司 *(note 2)*	The PRC	RMB200,000,000	–	100%	Property Rental in the PRC
上海恒錦房地產發展有限公司 *(note 2)*	The PRC	RMB210,000,000	–	100%	Property development in the PRC
湖州湖東建設管理有限公司 *(note 2)*	The PRC	USD25,000,000	–	100%	Property development in the PRC
長春証大置業有限公司 *(note 2)*	The PRC	RMB60,000,000	–	95%	Property development in the PRC
揚州証大商旅發展有限公司 *(note 2)*	The PRC	RMB30,000,000	–	80%	Property development in the PRC
吉林市証大華城房地產開發有限公司 *(note 2)*	The PRC	RMB20,000,000	–	100%	Property development in the PRC
嘉興市東方名家房地產開發有限公司 *(note 2)*	The PRC	RMB10,000,000	–	100%	Property development in the PRC
海南新世界發展有限公司 *(note 2)*	The PRC	RMB120,000,000	–	95%	Property development in the PRC

49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
海南華僑會館有限公司 *(note 2)*	The PRC	RMB10,000,000	–	95%	Property development in the PRC
Wah Kong Travel Limited *(note 2)*	Hong Kong	HK$1,250,000	–	60%	Sales of air tickets and provision of travel related services in HK
海門証大濱江置業有限公司 *(note 1, 2)*	The PRC	USD49,600,000	–	100%	Property development in the PRC
上海証大西鎮房地產開發有限公司 *(note 2)*	The PRC	RMB30,000,000	–	100%	Property development in the PRC
上海証大商業經營有限公司 *(note 2)*	The PRC	RMB20,000,000	–	100%	Properties rental management and agency services
上海証大物業管理有限公司 *(note 2)*	The PRC	RMB5,000,000	–	100%	Property management in the PRC
海南華意置業有限公司 *(note 1, 2)*	The PRC	RMB88,000,000	–	60%	Property development in the PRC
鄂爾多斯市証大房地產開發有限責任公司 *(note 2)*	The PRC	RMB10,000,000	–	100%	Property development in the PRC

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49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
青島凱倫大拇指商業廣場發展有限公司 *(note 2)*	The PRC	USD12,000,000	–	100%	Property development in the PRC
Victory Gateway Limited *(note 2)*	British Virgin Islands	USD1	100%	–	Investment holding
Most Perfect International Ltd. *(note 2)*	British Virgin Islands	USD100	67%	–	Investment holding
Auto Win Investment Ltd. *(note 2)*	British Virgin Islands	USD1	100%	–	Properties rental in the PRC

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

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

Notes:

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

(2) The subsidiary is a limited liability company.

50. ACQUISITION OF SUBSIDARIES

(a) Details of the net assets acquired by the Group during the year ended 31 December 2008 were as follows:

	Giant Hope Investments Limited and its subsidiaries		
	Carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Fair value of net assets acquired			
Property, plant and equipment	280,033	147,095	427,128
Payment for leasehold land held for own use under operating leases	11,715	649,649	661,364
Interest in an associate	6,821	45,651	52,472
Investment properties	172,985	261,254	434,239
Available-for-sale investments	57	–	57
Properties under development and for sales	272,687	286,281	558,968
Inventories	1,726	–	1,726
Trade and other receivables	165,786	–	165,786
Bank balances and cash	56,767	–	56,767
Trade and other payables	(177,437)	–	(177,437)
Bank loans	(559,282)	–	(559,282)
Tax payable	(143,517)	–	(143,517)
Amount due to ultimate holding company	(97,290)	–	(97,290)
Deferred taxation	(27,850)	(353,519)	(381,369)
Net (liabilities)/assets	(36,799)	1,036,411	999,612
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost			(371,875)
Less: available-for-sale investments			(22,787)
Total consideration paid			604,950
Total consideration satisfied by:			
Issue of shares			702,240
Shareholders loan			(97,290)
			604,950
Net cash (inflow) arising on acquisition			
Cash and cash equivalents acquired			(56,767)

Notes to the Financial Statements

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50. ACQUISITION OF SUBSIDARIES *(Continued)*

(a) *(Continued)*

Notes:

On 15 April 2008, the Group entered into an agreement with Jointex Investment Holdings Limited ("Jointex") to acquire entire interest of Giant Hope Investments Limited and its subsidiaries ("Giant Hope Group") and the loan due to Jointex by Giant Hope Group amounted to HK$97,290,000 at a total consideration of HK$702,240,000, satisfied by allotting 3,344,000,000 Company's shares to Jointex. Jointex is 85% owned by Giant Glory Assets Limited which is wholly owned by Dai Zhikang, director of the Company. The transaction was completed on 9 July 2008. The details of the transaction were disclosed in the Company's circular dated 10 June 2008.

The fair value of shares issued in connection with this transaction was calculated with reference to the share price of the Company quoted on the Stock Exchange of Hong Kong Limited at the date of completion.

Giant Hope Group had contributed HK$105,677,000 and HK$21,328,000 to turnover and loss of the Group for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1 January 2008, the Group's turnover for the year would have been HK$2,190,805,000 and profit for the year would have been HK$253,295,000. The pro forma information is for illustrative purpose only and is not necessary and indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

(b) On 2 January 2008, the Group entered into an agreement with an independent third party to acquire entire interest in Meiyi International Limited, which had a 60% owned subsidiary, 海南華意置業有限公司 (collectively referred to as "Meiyi Group") at a cash consideration of not more than RMB206,260,000. The major asset in Meiyi Group is a parcel of land with approximately 1,309,000 square metres in Chenmai County, Hainan. The acquisition was completed in January 2008.

On 7 December 2007, the Group entered into an agreement with 4 independent individuals, to acquire the entire interest in 海門市紅日環保設備有限公司 and its wholly owned subsidiary, 海門市紅日農業科技有限公司 (collectively referred as "Hongri Group") at cash consideration of RMB27,000,000. The major assets in Hongri Group are 2 parcels of land with approximately 47,000 and 86,000 square metres respectively in Haimen City, Jiangsu Province. The acquisition was completed in January 2008.

The above acquisitions were not accounted for under HKFRS 3 "Business Combinations" as Meiyi Group and Hongri Group were mainly in the possession of lands in the PRC and the lands were vacant at acquisition date and no business activities had been conducted by these companies before the acquisition. The transactions were accounted for as purchase of properties under development and for sales.

50. ACQUISITION OF SUBSIDARIES *(Continued)*

(b) *(Continued)*

Details of the net assets acquired by the Group during the year ended 31 December 2008 were as follows:

	Meiyi Group HK$'000	Hongri Group HK$'000	Total HK$'000
Carrying value of net assets acquired			
Properties under development and for sales	379,590	27,213	406,803
Trade and other receivables	817	17	834
Bank balances and cash	60	2	62
Trade and other payables	(438)	(6,244)	(6,682)
Bank loans	–	(11,858)	(11,858)
Minority interest	(159,287)	–	(159,287)
Net assets acquired	220,742	9,130	229,872
Total consideration paid			229,872
Total consideration satisfied by:			
Cash			229,872
Net cash (inflow)/outflow arising on acquisition			
Cash consideration paid			229,872
Cash and cash equivalents acquired			(62)
			229,810

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

50. ACQUISITION OF SUBSIDARIES *(Continued)*

(c) Acquisition of additional interests in subsidiaries

(i) On 16 December 2007, the Group entered into an agreement with an independent third party to further acquire the remaining 5% of the issued share capital of a subsidiary, 上海恒錦房地產發展有限公司, at a cash consideration of RMB22,500,000 (approximately HK$25,438,000). The acquisition was completed on 18 February 2008. The difference of HK$1,905,000 between the consideration and the relevant share acquired of the carrying value of net assets of the subsidiary, has been recognised in the retained profits.

(ii) On 9 October 2007, the Group entered into an agreement with 上海証大投資發展有限公司, a company which is controlled by Mr. Dai Zhikang, a director of the Company, to further acquire the remaining 20% of the issued share capital of a subsidiary, 上海証大置業有限公司, at a consideration of RMB305,000,000 (approximately HK$334,929,000). The acquisition was completed on 23 January 2008. The difference of HK$88,370,000 between the consideration and the relevant share acquired of the carrying value of net assets of the subsidiary, has been recognised in the retained profits.

(iii) On 11 September 2008, the Group entered into an agreement with an independent third party to further acquire the remaining 32% of the issued share capital of a subsidiary, 吉林市華城房地產開發有限公司, at a cash consideration of RMB31,400,000 (approximately HK$35,500,000). The acquisition was completed on 8 October 2008. The difference of HK$29,979,000 between the consideration and the relevant share acquired of the carrying value of net assets of the subsidiary, has been recognised in the retained profits.

(iv) On 17 September 2008, the Group entered into an agreement with an independent third party to further acquire the remaining 40% of the issued share capital of a subsidiary, 嘉興市東方名家房地產開發有限公司, at a cash consideration of RMB7,500,000 (approximately HK$8,480,000). The acquisition was completed on 28 September 2008. The difference of HK$6,083,000 between the consideration and the relevant share acquired of the carrying value of net assets of the subsidiary, has been recognised in the retained profits.

50. ACQUISITION OF SUBSIDARIES *(Continued)*

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

	上海恒錦房地產開發有限公司 *(note (i))*			海南新世界發展有限公司 *(note (ii))*			海南華僑會館有限公司 *(note (iii))*			Lanrich International Ltd. *(note (iv))*			
	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of net assets acquired													
Property, plant and equipment	37	–	37	252	–	252	–	–	–	–	–	–	289
Properties for development and sale	375,317	421,691	797,008	67,369	49,333	116,702	22,436	1,144	23,580	–	–	–	937,290
Interest in Joint venture	–	–	–	–	–	–	–	–	–	5,418	56,967	62,385	62,385
Trade and other receivables	136	–	136	1,497	–	1,497	27	–	27	–	–	–	1,660
Bank balances and cash	18,869	–	18,869	3,691	–	3,691	17	–	17	134	–	134	22,711
Trade and other payables	(234,103)	–	(234,103)	(12,797)	–	(12,797)	(12,477)	–	(12,477)	–	–	–	(259,377)
Tax payable	–	–	–	(14)	–	(14)	(6)	–	(6)	–	–	–	(20)
Deferred taxation	–	(137,187)	(137,187)	–	–	–	–	(286)	(286)	–	–	–	(137,473)
Minority interest	(8,013)	(14,225)	(22,238)	(3,001)	(2,467)	(5,468)	(500)	(43)	(543)	–	–	–	(28,249)
Net assets acquired	152,243	270,279	422,522	56,997	46,866	103,863	9,497	815	10,312	5,552	56,967	62,519	599,216
Excess of the Group's interest in the net fair value of acquiree's identifiable asset, liabilities and contingent liabilities over cost			–			(782)			(162)			–	(944)
Goodwill *(note 21)*			42,756			–			–			65,417	108,173
Total consideration			465,278			103,081			10,150			127,936	706,445
Total consideration satisfied by:													
Cash			465,278			103,081			10,150			127,936	706,445
Net cash (inflow)/outflow arising onacquisition													
Cash consideration paid			465,278			103,081			10,150			127,936	706,445
Cash and cash equivalents acquired			(18,869)			(3,691)			(17)			(134)	(22,711)
			446,409			99,390			10,133			127,802	683,734

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

50. ACQUISITION OF SUBSIDARIES *(Continued)*

(d) *(Continued)*

Notes:

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

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

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

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

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

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

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

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

51. DEEMED DISPOSAL OF A SUBSIDIARY

(a) On 22 February 2008, the minority owner of Shanghai Zendai Himalaya Real Estate Company Limited ("HLCL"), 上海証大投資發展有限公司 ("Shanghai Zendai Investment") which has 40% interest in HLCL injected additional capital of RMB370,000,000 in HLCL. The paid-up capital of HLCL was increased from RMB10,000,000 to RMB20,000,000 and creation of share premium of RMB360,000,000. The transaction lead to the reduction of the Group's interest in HLCL from 60% to 30% and HLCL became an associate of the Group with carrying amount of HK$115,889,000. The gain on deemed disposal of HK$127,986,000 was recognised in the income statement.

	Shanghai Zendai Himalaya Real Estate Company Limited Carrying amount before deemed disposal
Net assets deemed disposed of	
Property, plant and equipment	1,537
Property under development	277,588
Trade and other receivables	155,234
Bank balances and cash	80,708
Trade and other payables	(128,769)
Minority interests	(398,395)
Net assets deemed disposed of	(12,097)
Gain on deemed disposal	127,986
	115,889
30% share of net assets of associates after deemed disposal	115,889
Net cash outflow arising on deemed disposal	
Cash and bank balances disposed of	(80,708)

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31 December 2008

51. DISPOSAL OF A SUBSIDIARY *(Continued)*

(b) On 30 June 2008, the Group disposed of its entire interest in 湖州湖潤建設管理有限公司 to an independent third party at a consideration of RMB1,000,000 (approximate to HK$1,128,000).

	湖州湖潤建設管理有限公司 Carrying amount before disposal HK$'000
Net assets disposed of	
Property under development	26,373
Amount due to related companies	(26,373)
Bank balances and cash	330
Net assets disposed of	330
Gain on disposal	798
	1,128
Total consideration satisfied by:	
Cash	1,128
Net cash inflow/(outflow) arising on disposal	
Cash consideration obtained from disposal	1,128
Cash and bank balances disposed of	(330)
	798

51. DISPOSAL OF A SUBSIDIARY *(Continued)*

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

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

52. RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	Transaction amount 2008 HK$'000	Transaction amount 2007 HK$'000	Balance owned/ (owing) 2008 HK$'000	Balance owned/ (owing) 2007 HK$'000
Companies in which the director has an interest	Rental income received by the Group	**19,961**	15,271	**–**	20,508
Companies in which the director has an interest	Property agency fee paid by the Group	**–**	9,560	**–**	–

The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2008 or 2007 regarding related party transactions.

The related companies are beneficially owned by Mr. Dai Zhikang, a director of the Company. These companies became subsidiaries of the Group subsequent to the acquisition of Jointex which is disclosed in note 50(a).

(b) During the year, the Group further acquired the remaining 20% of the issued share capital of 上海証大置業有限公司 from Shanghai Zendai Investment which is wholly owned by Mr. Dai Zhikang, a director of the Company as detailed in note 50(c)(ii).

(c) During the year, the Group has a deemed disposal of a subsidiary to Shanghai Zendai Investment which is beneficially owned by Mr. Dai Zhikang, the director of the Company, as detailed in note 51(a).

(d) During the year, the Group acquired certain subsidiaries from Jointex which is beneficially owned by Mr. Dai Zhikang, the director of the Company, as detailed in note 50(a).

52. RELATED PARTY TRANSACTIONS *(Continued)*

(e) On 5 November 2008, the Group entered into an agreement with Shanghai Zendai Investment to acquire 15% of HLCL for a consideration of RMB112,000,000 satisfied by cash of RMB15,478,000 and setting off a receivable from Shanghai Zendai Investment of RMB96,522,000. The excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost amounted to approximately HK$45,675,000 and was included in share of results of associates for the year.

(f) Compensation of key management personnel

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

	Group	
	2008	2007
	HK$'000	HK$'000
Short-term benefits	**7,023**	4,712
Post-employment benefits	**264**	226
	7,287	4,938

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

(g) Balances with related companies as at 31 December 2008 and 2007 are set out in notes 32 and 36 to the financial statements.

(h) During the year, Shanghai Zendai Investment, a company beneficially owned by Mr. Dai Zhikang, provided corporate guarantee for certain of bank loans (note 38).

53. CONTINGENT LIABILITIES

The Group provides HK$356,925,000 guarantees at 31 December 2008 (2007: HK$47,350,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted.

Notes to the Financial Statements

31 December 2008

54. NOTES SUPPORTING CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	Group 2008 HK$'000	Group 2007 HK$'000
Cash available on demand	**364,196**	750,254
Short-term deposits	**20,209**	577,607
	384,405	1,327,861
Significant non-cash transactions are as follows:		
Investing activities		
Equity consideration for business combination	**702,240**	–
Financing activities		
Conversion of convertible notes	**–**	139,088

55. CAPITAL COMMITMENTS

	Group 2008 HK$'000	Group 2007 HK$'000
Commitments for the property development – contracted for but not provided	**609,589**	987,556
Commitments for acquisition of investment properties – contracted for but not provided	**–**	10,683
Commitments for acquisition of subsidiaries	**–**	363,460

56. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 April 2009.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2008

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

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**1,968,603**	1,556,209	1,401,553	1,430,834	47,842
Profit before income tax expense	**704,001**	700,330	424,730	362,380	122,361
Tax expense	**(399,413)**	(343,065)	(155,867)	(98,899)	(683)
Profit for the year	**304,588**	357,265	268,863	263,481	121,678

ASSETS AND LIABILITIES

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**8,243,159**	6,908,396	3,884,249	2,408,510	2,120,440
Total liabilities	**(4,943,117)**	(4,378,871)	(2,286,307)	(1,613,420)	(1,691,259)
Minority interests	**(167,831)**	(402,826)	(232,315)	(143,996)	(5,852)
Balance of shareholders' funds	**3,132,211**	2,126,699	1,365,627	651,094	423,329

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

PROPERTIES FOR SALE – COMPLETED

Project Name (Location)	Intended Use	Approximate gross floor area (sq.m.)
Section 1 & 2, Mandarin Palace (Shanghai, China)	Residential	6,172
Phase I (Dong Zhou, Mansion) of Section 1 of Land Parcel 1, Zendai Garden Riverside Town (Jiangsu Province, China)	Residential	3,554
Phase I (Multiflora Garden) of Section 2 of Land Parcel 1, Zendai Garden Riverside Town (Jiangsu Province, China)	Residential	29,039
Phase 1, Valley International Jilin project (Jilin Province, China)	Residential	3,931
Section 1, (Zendai Ideal City) Changchun project (Jilin Province, China)	Residential	35,702
Zendai Cube Tower (Shanghai, China)	Office	1,702

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

PROPERTIES FOR SALES – UNDER DEVELOPMENT

Project Name (Location)	Intended Use	Progress as at 31 December 2008	Expected Year of Completion	Approximate gross floor area (sq.m.)
Section 1 of Land Parcel 1, Zendai Garden Riverside Town 清華園生態花園 (Jiangsu Province, China)	Residential	The Groundwork has been completed.	2010	65,408
Section 2, (Valley International) Jilin project (Jilin Province, China)	Residential	Of a total of four 12-floor low-rise apartment buildings and seven 18-27-floor high rises apartment buildings, the structures of four low-rise apartment buildings were topped out, with the installation of heat insulation facilities on the external walls having been completed. Two 27-floor were built up to the 20th floor, two 18-floor were built up to 12th floor, and one 22-floor was built up to 15th floor. The construction of the other two high-rise apartment buildings has not yet started.	4 buildings will be delivered to buyers in 2009, others will be delivered in 2010	78,272
Section 3, (Valley International) Jilin project (Jilin Province, China)	Residential	Of a total of 177 villas and townhouses. Of which, the construction of six buildings has not yet started, while the structures of others were topped out.	2009	37,911
Section 2, (Zendai Ideal City) Changchun project (Jilin Province, China)	Residential	The main structures of nineteen 4- to 6-floor multi-storey buildings, three 9-floor low-rise apartment buildings and three 11-floor low-rise apartment buildings were all topped out, with the installation of heat insulation facilities on the external walls and the installation of external window frames having been completed. Construction of the basements of four 15-storey high-rise buildings was completed.	2009	115,203
Zendai Yuanshen Financial Building	Integrated commercial residential project	External walls projects are being undertaken.	2009	42,912
Yangzhou Project (Jiangsu Province, China)	Commercial	Nearly completed.	2009	18,000

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

PROPERTIES FOR SALE – UNDER PLANNING

Project Name (Location)	Intended Use	Expected Year of Completion	Approximate gross floor area (sq.m.)
Section 3, Mandarin Palace (Shanghai, China)	Residential	2010	4,054
Zendai Garden Riverside Town	Residential	To be completed in stages after 2010	1,550,818
Section 4, (Valley International) Jilin project (Jilin Province, China)	Residential	2010	34,921
Section 3 to 5, (Zendai Ideal City) Changchun project (Jilin Province, China)	Residential	To be completed by stages after 2010	376,165
Haikou Project (Hainan Province, China)	Office	2011	54,600
Haikou Project (Hainan Province, China)	Residential	2012	46,460
Yangzhou Project (Jiangsu Province, China)	Commercial	2010	62,000