金朝陽集團有限公司
Soundwill Holdings Limited

（於百慕達註冊成立之有限公司）
(Incorporated in Bermuda with limited liability)

證券代號 Stock Code: 0878

2007
Annual Report
年報

Contents

Corporate Information

DIRECTORS

Executive Directors:

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling
TSE Chun Kong, Thomas
KWAN Chai Ming

Non-Executive Directors:

LIANG Yanfeng, *Non-Executive Vice Chairman*
MENG Qinghui

Independent Non-Executive Directors:

HENG Kwoo Seng
KWAN Kai Cheong
HO Suk Yin

COMPANY SECRETARY

KWAN Chai Ming

QUALIFIED ACCOUNTANT

LAU Chan Wing, Raymond

AUDITORS

Grant Thornton
Certified Public Accountants

LEGAL ADVISORS

Lo, Wong & Tsui
Conyers Dill & Pearman

WEBSITE

www.soundwill.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM08
Bermuda

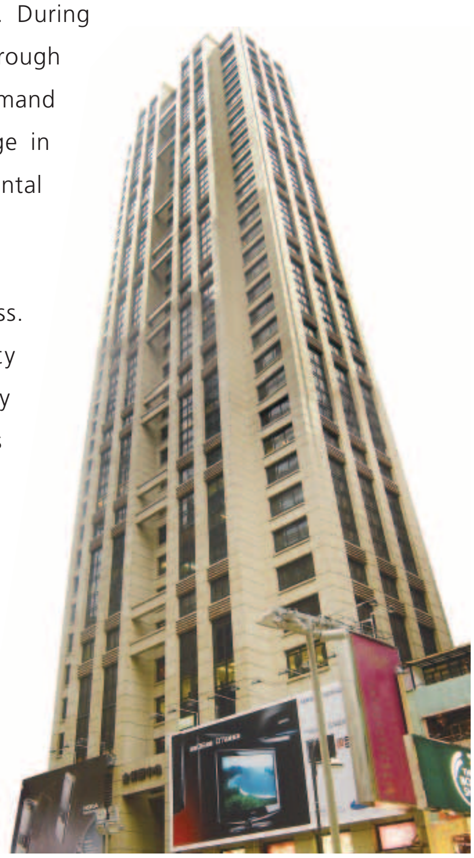
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

The overall development of Hong Kong economy remained steadily in the first half of 2007. Despite accelerated fluctuation in stock market during the third and fourth quarter leading to uncertainty in the investment market, the property sector in general achieved satisfactory performance, with more transactions in the second half of the year. Benefiting from the decline of interest rate and stable economic growth, prices of residential properties experienced steady growth. On the other hand, commercial and retail properties' average occupancy rate and rental demonstrated significant upsurge. The Group reported satisfactory results, which showed healthy growth of business during the year under review.

The recent fluctuation in the local stock market, led to a more cautious investment sentiment. However the pressure on low interest rate and severe inflation resulted in negative interest rate. This served to encourage investment in the property market, and supported a strong performance of the property market. Given the optimistic sentiment towards the prospective property market, the Group's flagship property Soundwill Plaza, situated in a prime commercial and shopping district with heavy traffic flow, the property's occupancy rate and rental income, thus, had recorded remarkable performance. During the year, the Group recorded a significant growth in rental through renewing certain tenancy agreements. This reflects a strong demand for Grade-A commercial and retail premises. Due to the shortage in supply for Grade-A commercial properties in the district, further rental increment is expected.



The Group continues to enhance its property assembling business. Leveraging its expertise and extensive experience in property assembling, the Group has successfully acquired certain property sites in established districts during the year. The Group has disposed of some of the acquired properties during the year under review, including redevelopment project at Bowrington Road, Causeway Bay, to take profit. For properties of high quality or synergy to the Group's existing investment properties, we will reserve such properties for redevelopment, to enrich its rental property portfolio.

CHAIRMAN'S STATEMENT

During the year, the Group's China business segment reported satisfactory results. The urban infrastructure business has been expanded to various cities in China, including Chongqing and Xian. The Group planned to further expand this business to other cities in China in 2008, such as Zhuhai and Tianjin.

Apart from its active business expansion and effort to maximize return for shareholders, the Group is committed to take the responsibility of a corporate citizen. During the year under review, the Group was awarded the accreditation of "Caring Company"(2007/2008), in recognition of its contribution to the community.

The Group recorded steady business development during the year. In 2008, with the disposal of the Group's residential projects and the gradual increase in rental income, we expect to report satisfactory results continuously. The Group strives to pursuing its business in property assembling and expects to enjoy respectable capital appreciation from this core business. We believe that the Group's balanced business portfolio and its prudent investment strategy will generate sound return on investment for our shareholders.

Foo Kam Chu, Grace
Chairman

Hong Kong, 15 April 2008

Directors' Profile

FOO Kam Chu, Grace, aged 64, is the founder and Chairman of the Group. Madam Foo has extensive experience in property market. She has been engaged in the property business in Hong Kong since early 1970s, particularly specialised in the acquisition of old buildings for redevelopment into commercial or residential buildings. Madam Foo is currently responsible for the Group's overall development direction and strategies. Furthermore, she serves as a standing committee member of Guangzhou Committee of the Chinese People's Political Consultative Conference and has been elected as an honorary citizen of Guangzhou and executive committee member of Guangdong Province (Women) Members Association. She is familiar with the political and economic affairs in the PRC.

CHAN Wai Ling, aged 37, is the Executive Director of the Company. She is in charge of the property department and is responsible for the property development and leasing of the Group. She graduated from the University of Toronto, Canada with a bachelor degree in commerce and also obtained a Master of Business Administration Degree from University of Strathclyde, United Kingdom. Before joining the Group in September 1998, she had worked in an international property consultant firm and had operated her own property investment business for more than five years. She is also the daughter of the Group's Chairman.

TSE Chun Kong, Thomas, aged 46, is the Executive Director in charge of the Group's property investment. Mr. Tse graduated from McMaster University, Canada with a bachelor degree in Civil Engineering, and also obtained his master degree of Business Administration from the City University of New York, USA. He joined the Company in 1997 and has over 20 years experience in the Hong Kong and Mainland property market.

KWAN Chai Ming, aged 42, is the Executive Director and Company Secretary of the Company. He graduated from the University of London with an honours bachelor degree in laws. Mr. Kwan is a qualified solicitor in Hong Kong and has 20 years working experience in the legal field. Before joining the Group, he had his private practice in different areas. Mr. Kwan joined the Group in 2000 as Group Legal Adviser and is in charge of the legal and company secretarial department.

LIANG Yanfeng, aged 42, has been a Non-Executive Director and non-executive vice-chairman of the Board of the Company since 5 December 2006. Mr. Liang is also an executive director and the managing director of COSCO International Holdings Limited and the non-executive director of Sino-Ocean Land Holdings Limited. Mr. Liang has a Master's degree in laws and an Executive Master of Business Administration from the Department of Social Science and the School of Economics and Management of Tsinghua University and the Senior Economist qualification awarded by the Ministry of Communications of the PRC. He has extensive experience in corporate management and capital market operation.

MENG Qinghui, aged 52, has been a Non-Executive Director of the Board of the Company since 22 April 2003. He is also an Executive Director of COSCO International Holdings Limited, the managing director of Finance Division of COSCO (Hong Kong) Group Limited and the non-executive director of Chong Hing Bank Limited. Mr. Meng graduated from Central South University and has the PRC accountant qualification. He has extensive experience in corporate financial management and accounting and is also familiar with corporate financial planning.

HENG Kwoo Seng, aged 60, appointed as Independent Non-Executive Director of the Company on 30 September 2004, is the managing partner of Morison Heng, Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has worked with a number of companies listed on The Stock Exchange of Hong Kong Limited either in the capacity of company secretary or as an independent non-executive director.

KWAN Kai Cheong, aged 58, appointed as Independent Non-Executive Director of the Company on 30 September 2004, holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. Mr. Kwan is currently the President of Morrison & Company Limited which is a business consultancy firm and a non-executive director of China Properties Group Limited which is listed on the Stock Exchange. He is also an independent non-executive director of several other companies listed on the Stock Exchange including Hutchison Harbour Ring Limited and Hutchison Telecommunications International Limited.

HO Suk Yin, aged 56, appointed as Independent Non-Executive Director of the Company on 30 September 2004, attained her Master of Business Administration Degree from the University of Santa Barbara California, U. S. A. in 1990/91. She was awarded the Badge of Honour in 1995 and appointed Justice of the Peace since 1996. Ms. Ho is the founder of Relybase Consultants Limited which provides management advice, public relation, training and coaching services in Hong Kong and some provinces in Mainland China. She is currently Council Member of Sir Edward Youde Memorial Fund, Member of the Standing Committee on Language and Research, Member of Municipal Services Appeals Board and Member of Witness Protection Review Board and Member of the Railway Objections Hearing Panel.

OPERATIONS REVIEW

Property Assembling Business

During the year, the Group continued to expand its property assembling business and achieved fruitful results. The Group completed the disposal of its property assembling project at Bowrington Road in Causeway Bay in August 2007, and recorded a profit of approximately HK$88,199,000 which was booked into the accounts in the second half of the year.

The Group's property assembling projects are mainly concentrated in densely-populated area in the vibrant districts on the Hong Kong Island. These districts were developed years ago, and had numerous old buildings under scattered leaseholds. These old properties offer high redevelopment value, with the shortage in land supply in the urban area. The Group has a comprehensive and systematic approach of acquisition, enabling it to effectively enlarge its property assembling project portfolio. During the year, the Group has commenced the acquisition of a number of properties with redevelopment potential. With the Group's niche in the urban redevelopment, it is expected that profit contribution from this business segment will be further enhanced.

Property Leasing

During the year under review, the consumption sentiment in Hong Kong continued to improve. This, together with a strong RMB, has attracted more spending from Chinese tourists in Hong Kong which has provided a strong driving force to the local consumer market. With a prosperous retail market and an improving property sector, the demand for commercial and retail property began to upsurge. In addition, the rental of major shopping areas on Hong Kong Island continued to increase in six consecutive quarters. Located in a prime location at Causeway Bay, Soundwill Plaza, the Group's flagship property, thus, generated a satisfactory return to the Group during the year.

OPERATIONS REVIEW *(Continued)*

Property Leasing *(Continued)*

Soundwill Plaza enjoyed an occupancy rate of 99% during the year. With a superior geographical location and a shortage of shop supply in the district, more and more retailers and service providers are seeking office to offer retail or customer services. This trend had pushed the rental of Soundwill Plaza further upward. The Group's rental income from Soundwill Plaza rose by 20% to HK$148 million. Upon expiry of certain tenancy agreements, the Group has adjusted the portfolio of its tenants, and introduced a number of world-renowned international brands, resulting in enhanced image and intangible value for Soundwill Plaza.

During the year, approximately 30% of leases of Soundwill Plaza expired. The Group was able to increase rental in accordance with the prevailing market rate when renewing the leases. The new leases represented an average increase in rental of around 50%, with the highest increment amounted to 111%.

Property Development

The Group has completed the construction of the low-rise semi-detached and detached luxurious residential development in Sai Kung during the year. The joint venture project comprises a total of 17 semi-detached and detached houses, which features a relaxing living environment with a design of simplicity. Since there is a strong market demand for large units and detached houses, the Group intends to launch this project at an opportune moment.

The Group's another residential development project in Yuen Long is currently under architectural design and landscape planning. This project, with a site area of 140,000 sq.ft., will be developed into a low density residential community, with comprehensive facilities and a luxurious clubhouse.

Business in Mainland China

During the year, the Group's business in Mainland China performed satisfactorily, with its urban infrastructure development business extended to various cities including Chongqing and Xian. The Group plans to further expand this business to other major cities in the Mainland China including Zhuhai and Tianjin in 2008.

OPERATIONS REVIEW *(Continued)*

Property Management, E & M and Building Maintenance

The Group has four property management and maintenance entities. These entities are engaged in property management and facility maintenance service for large-scale commercial buildings, small and medium-sized residential properties, estates and shopping malls. Revenue from these four entities during the year amounted to approximately HK$15,103,000, representing an increase of 11% when compared to that of last year.

Corporate Citizen

In addition to its active business development and generation of favorable return to its shareholders, the Group is also committed to become an organization upholding its social responsibility. During the year, the Group actively participated in a range of community and fund raising activities. The Group also successfully assisted Yan Oi Tong for a charity bazaar and has planned to implement environmental protection policy to fulfill the role of a corporate citizen. In addition, the Group was awarded by the Hong Kong Council of Social Service as "Caring Company", in recognition of its contribution to the community.

商界展關懷
caringcompany 2007/08
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

PROSPECTS

The sub-prime crisis in the US emerged in the second half of 2007 had forced interest rate to decline. Following the trend in the US, the Hong Kong interest rate had been lowered several times. During the first quarter of the year, the Hong Kong economy continued to show healthy growth, despite the turmoil in the Hong Kong stock market, as the local economic fundamentals remained sound in 2008. The gradual appreciation of RMB has attracted more tourists from China in spending in Hong Kong. This has generated favorable impact on Hong Kong's commercial and retail property markets. Furthermore, some of the investors who have cashed in from the stock market in the past year are switching their gains to the property market. We anticipate these positive factors will continue to support the development of Hong Kong's property market in 2008.

Looking forward, the Group expects to complete the acquisition of several redevelopment sites, which are all on Hong Kong Island. The Group intends to reserve certain projects for redevelopment or as long-term investment in order to expand the Group's recurrent income base. The Group is actively expanding its property assembling business, and has completed the acquisition of Hang Tang House in Tang Lung Street for redevelopment. The Group plans to redevelop Hang Tang House and its adjacent sites into a Ginza-style commercial building with a gross floor area of approximate 130,000 sq.ft. Construction of this project is expected to be completed in 2010.

Soundwill Plaza, the Group's flagship property, is located in the prime shopping and commercial area on the Hong Kong Island. Soundwill Plaza will continue to provide stable recurrent income to the Group. In 2008, approximately 50% of leases of Soundwill Plaza will be expired. It is expected that when renewing the leases, the Group's average rental will be increased by approximately 55%. Together with the continued optimizing of its tenants portfolio and adding of international brandnames to its tenant list, the Group will be able to enhance the overall value of Soundwill Plaza and to improve its rental income.

With regard to the Group's business in Mainland China, it will continue to actively participate in the urban infrastructure development project in China. The Group is expected to further expand its business in China. By participating in the infrastructure development projects in various secondary cities, the Group is able to establish solid relations with the local governments and business sectors. These relationships will constitute a valuable platform for the Group's exploration of other business opportunities in China.

Given its fundamental competitive strengths and a healthy financial position, the Group will maintain sustainable development of its existing portfolio. Meanwhile, the Group will capitalize on the opportunity arising from the property market, to enhance its profitability and cash flow, through redevelopment and the sale of acquired projects.

FINANCIAL REVIEW

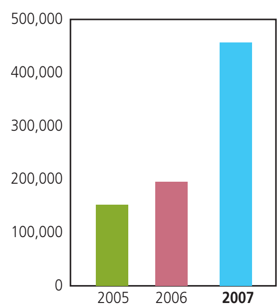
For the year ended 31 December 2007, the Group has achieved a profit attributable to equity holders of the Company of approximately HK$1,063,285,000 (2006: HK$422,474,000), an increase of 152% as compared with last year. The increase was mainly due to an increase of HK$603,234,000 arising from the net gain on fair value adjustment on investment properties (net of deferred tax) as compared with last year. Earnings per share was HK$4.76 (2006: HK$1.90), representing an increase of 151% over last year.

If the gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the Group's profit for the year would be approximately HK$161,708,000 (2006: HK$124,132,000), representing an increase of about 30% as compared with last year.

For the year ended 31 December 2007, the Group has recorded a turnover of approximately HK$464,673,000, representing an increase of about 135% over last year. Included in the turnover of 2007 was a revenue of HK$246 million from a new business segment called Property Assembling Business which was dealing with property assembly and trading business in Hong Kong. If this new business segment was excluded, the increase in turnover was 11% which was mainly due to higher rental income contribution in 2007. The Group's gross profit for the year amounted to approximately HK$288,673,000, representing 76% increase as compared with last year.

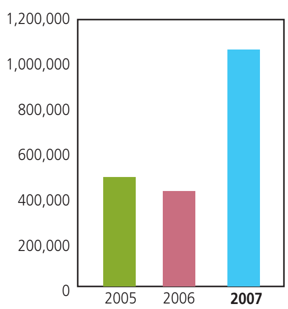
Turnover

(HK$'000)



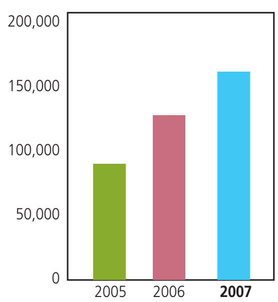
Profit Attributable to Equity Holders of the Company

(HK$'000)



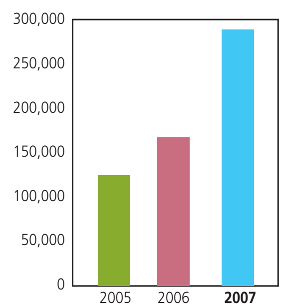
Profit Excluding Fair Value Adjustment on Investment Properties

(HK$'000)



Gross Profit

(HK$'000)



Turnover (by Business Segment)

(HK$'000)

Financial Highlights

	31 December 2007	31 December 2006
Total Assets (HK$'000)	6,401,040	4,615,965
Net Assets (HK$'000)	3,677,429	2,602,542
Earnings Per Share (HK$)	4.76	1.90
Total Borrowings (HK$'000)	1,890,639	1,381,601
Gearing Ratio	51%	53%
Net Assets Value Per Share (HK$)	16.43	11.69

SIGNIFICANT INVESTMENTS HELD

On 11 August 2007, the Group disposed of its investment properties located at 21 Sharp Street at a consideration of HK$74 million. The transaction brings along with a net gain of approximately HK$45,400,000.

Save as mentioned above, there is no change in the significant investments held by the Group during the year.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, there was no material acquisitions and disposals of subsidiaries by the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2007, the Group's bank and other borrowings and convertible bond amounted to HK$1,890,639,000 (2006: HK$1,381,601,000). Cash and bank balances amounted to HK$81,220,000 (2006: HK$88,509,000) and net borrowings amounted to HK$1,809,419,000 (2006: HK$1,293,092,000).

The Group's gearing ratio (which was expressed as a percentage of bank and other borrowings over the shareholders' funds) has been reduced from 53% in 2006 to 51% in 2007.

Interest expenses for the year amounted to HK$88,820,000 (2006: HK$70,912,000) mainly due to increase in bank loans which were raised for property acquisitions during the year. The average cost of borrowings over the year was 5.43% (2006: 5.75%) which was expressed as a percentage of total interest expenses over the average total borrowings.

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. The continuous appreciation of Renminbi had a positive effect to the Group's results. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation.

During the year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

As at 31 December 2007, all the Group's borrowings were on floating rates basis.

As at 31 December 2007, the Group's total net assets amounted to approximately HK$3,677,429,000 (2006: HK$2,602,542,000), an increase of HK$1,074,887,000 or 41% when compared with last year. With the total number of ordinary shares in issue of 223,827,816 (2006: 222,657,816) as at 31 December 2007, the net asset value per share was HK$16.43 (2006: HK$11.69).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2007, investment properties and properties held for sale of the Group with a total carrying value of approximately HK$5,725,517,000 (2006: approximately HK$4,094,468,000, were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2007.

EMPLOYEES REMUNERATION

The Group had 128 employees and 93 employees (2006: 50 employees and 120 employees) in Hong Kong and Mainland China respectively as at 31 December 2007. Total salaries and wages incurred during the year amounted to approximately HK$42,704,000 (2006: approximately HK$24,357,000). Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the year, share options were also granted to various directors and employees on a performance related basis.

The Company has adopted the code provision set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

The board of directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

Board Composition

The Board comprises (i) four executive directors, namely Madam Foo Kam Chu, Grace ("Mrs. Chan"), Ms. Chan Wai Ling (who is the daughter of Mrs. Chan), Mr. Tse Chun Kong, Thomas and Mr. Kwan Chai Ming; (ii) two non-executive directors, namely Mr. Liang Yanfeng and Mr. Meng Qinghui; and (iii) three independent non-executive directors, namely Mr. Heng Kwoo Seng, Mr. Kwan Kai Cheong and Ms. Ho Suk Yin.

The biographies of the directors are set out in pages 5 to 6, which demonstrate a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

Board Meetings and Attendance

The Board has four scheduled meetings a year and meets as and when required. During the year ended 31 December 2007, the Board held four meetings. The attendance of the directors at the board meeting is as follows:

Directors' attendance at board meetings

Directors	Attendance
Madam Foo Kam Chu, Grace	4/4
Ms. Chan Wai Ling	4/4
Mr. Tse Chun Kong, Thomas	4/4
Mr. Kwan Chai Ming	4/4
Mr. Liang Yanfeng	4/4
Mr. Meng Qinghui	4/4
Mr. Heng Kwoo Seng	4/4
Mr. Kwan Kai Cheong	4/4
Ms. Ho Suk Yin	4/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws (the "Bye-laws"). All directors, including the executive and non-executive directors, shall retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

DIRECTORS' SECURITIES TRANSACTIONS

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

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meeting, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting.

All directors are entitled to have access to board papers, minutes and related materials.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In determining the remuneration level and packages to the directors and senior management, the Company took into account the prevailing practices and trends and to reflect on the time commitment, duties and responsibilities of the directors and senior management and their contributions to the Company and the Group. Long term inducements in the form of share options and performance bonuses were also employed.

The Remuneration Committee of the Board was set up on 12 September 2005 with written terms of reference.

Its function is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. It also recommends to the Board on remuneration and compensation levels of individual directors and those for members of senior management.

The Remuneration Committee consists of five directors, namely, Ms. Chan Wai Ling, Mr. Kwan Chai Ming, Mr. Heng Kwoo Seng, Mr. Kwan Kai Cheong (being chairman of the Remuneration Committee) and Ms. Ho Suk Yin.

During the year, the Remuneration Committee convened one meeting with full attendance to review and recommend (with the relevant directors where applicable abstained from voting as far as his/her own remuneration is concerned so that no director would decide on his/her own remuneration) the remuneration level of executive directors.

Director	Attendance
Mr. Kwan Kai Cheong	1/1
Ms. Chan Wai Ling	1/1
Mr. Kwan Chai Ming	1/1
Mr. Heng Kwoo Seng	1/1
Ms. Ho Suk Yin	1/1

INTERNAL CONTROL

During the year, the Directors have conducted review of the effectiveness of the internal control system covering material controls, including financial, operational and compliance controls and risk management functions.

AUDIT COMMITTEE

The Audit Committee of the Board comprises of three independent non-executive directors, namely Mr. Heng Kwoo Seng (being chairman of the Audit Committee), Mr. Kwan Kai Cheong and Ms. Ho Suk Yin. Both Mr. Heng Kwoo Seng and Mr. Kwan Kai Cheong are senior professional accountants posses professional accountancy qualification.

The Audit Committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting including the interim and final results of the Company. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the audit of the Group.

During the year, the Audit Committee met twice with full attendance. The interim results for the six months ended 30 June 2007 and the final results for the year ended 31 December 2007 have been reviewed and commented by the Audit Committee.

Director	Attendance
Mr. Heng Kwoo Seng	2/2
Mr. Kwan Kai Cheong	2/2
Ms. Ho Suk Yin	2/2

AUDITORS' REMUNERATION

During the year, the fee incurred for audit and non-audit services for the Group are approximately HK$1,657,000 and HK$198,000 respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property assembly, property development, property leasing and provision of building management services in Hong Kong and urban infrastructure facilities in the Mainland. Other particulars of the subsidiaries are set out in note 46 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 27 to 106.

The Board recommends a payment of final dividend of HK$0.07 (2006: HK$0.05) per share for the year ended 31 December 2007, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 8 July 2008 to shareholders whose names appear on the register of members on 23 May 2008.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 17 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates are set out in notes 19 and 20 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in note 31 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 34 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 32 and in note 35 to the financial statements respectively.

CONVERTIBLE BOND

Particulars of convertible bond are set out in note 32 to the financial statements.

SHARE OPTIONS

Particulars of the share options granted are set out in note 36 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108.

PROPERTIES

Particulars of the major properties held by the Group are set out on page 107.

DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 5 to 6.

Pursuant to Bye-law 86(2) & 87(1), Mr. Heng Kwoo Seng, Mr. Kwan Kai Cheong, Ms. Ho Suk Yin and Mr. Kwan Chai Ming, existing directors of the Company, will retire from office by rotation and whilst all of them being eligible, Mr. Kwan Kai Cheong, Ms. Ho Suk Yin and Mr. Kwan Chai Ming will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' Interests in the Company

As at 31 December 2007, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	156,783,709 *(Note)*	70.05
	Beneficial owner	96,000	0.04
Tse Chun Kong, Thomas	Interest of Spouse	6,000	0.00
	Beneficial owner	723	0.00

Note: The 156,783,709 shares are held by Ko Bee Limited, the entire issued share capital of which is held by Madam Foo Kam Chu, Grace.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

1. Directors' Interests in the Company *(Continued)*

(ii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant *(HK$)*	Subscription Price per Share *(HK$)*
Foo Kam Chu, Grace	Beneficial owner	200,000	06/01/2005 to 05/01/2010	1.00	1.47
		200,000	04/01/2006 to 03/01/2011	1.00	2.38
		200,000	20/05/2007 to 19/05/2012	1.00	2.52
		600,000	18/01/2008 to 21/07/2012	1.00	6.17
Tse Chun Kong, Thomas	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
Chan Wai Ling	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		2,000,000	18/01/2008 to 21/07/2012	1.00	6.17
Kwan Chai Ming	Beneficial owner	150,000	18/01/2008 to 21/07/2012	1.00	6.17
Meng Qinghui	Beneficial owner	60,000	08/01/2004 to 07/01/2009	1.00	1.50
		90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
Liang Yanfeng	Beneficial owner	90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

1. Directors' Interests in the Company *(Continued)*

(iii) Long positions in underlying shares of equity derivatives of the Company — interests in convertible bonds each of which is convertible into one share at the conversion price of HK$1.66:

Name of Director	Capacity	Principal Amount of Convertible Bonds	Number of Underlying Shares
Foo Kam Chu, Grace	Interest of Controlled Corporation	HK$23,499,490	14,156,319 *(Note)*

Note: These underlying shares are held by Ko Bee Limited, a company wholly owned by Madam Foo Kam Chu, Grace who is deemed, by virtue of the SFO, to be interested in these underlying shares.

2. Directors' Interests in Associated Corporation

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100

Save as disclosed above, as at 31 December 2007, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and notes 32 and 36 to the financial statements, at no time during the year ended 31 December 2007, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

1. Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	156,783,709	70.05

2. Long positions in underlying shares of equity derivatives of the Company — interest in the convertible bond of the Company:

Name of Shareholder	Capacity	Principal Amount of Convertible Bond	Number of Underlying Shares
Ko Bee Limited	Beneficial owner	HK$23,499,490	14,156,319

Save as disclosed above, as at 31 December 2007, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in (i) the paragraph under the heading of "Directors' Right to Acquire Shares and Debentures" above and (ii) paragraphs (a) to (c) under the heading of "Related Party Transactions" in note 41 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 3% of the Group's purchases were attributable to the Group's largest supplier and approximately 6% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 5% of the Group's turnover were attributable to the Group's largest customer and approximately 18% of the Group's turnover were attributable to the Group's five largest customers.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS

During the year, other than those, the disclosure of which is exempted pursuant to Rule 14A.31 and 14A.65 of the Listing Rules (details of such connected transactions being also related party transactions are mentioned in note 41 to the financial statements), there were no other connected transaction (as defined under Chapter 14A of the Listing Rules) entered into.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at 15 April 2008, the latest practicable date prior to the issue of this annual report.

AUDITORS

Messrs. Grant Thornton, Certified Public Accountants ("GT") was appointed on 3 April 2003 as auditors of the Company.

GT had resigned as auditors of the Company and its subsidiaries with effect from 12 January 2006. CCIF CPA Limited was then proposed to be appointed as the new auditors to fill the vacancy following the resignation of GT. Due to the concern of certain bank creditor on the frequent change of auditors, GT was therefore re-appointed as the Company's auditor in the special general meeting convened on 28 March 2006.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint GT as auditors of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 May 2008 to Friday, 23 May 2008 (both days inclusive), for the purpose of determination of entitlement to final dividend, during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 16 May 2008.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 15 April 2008

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Soundwill Holdings Limited 金朝陽集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Soundwill Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 106, which comprise the consolidated and company balance sheets as at 31 December 2007, 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.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 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.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

15 April 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	**464,673**	197,464
Cost of sales		**(176,000)**	(33,149)
Gross profit		**288,673**	164,315
Other income	5	**5,853**	4,238
Administrative expenses		**(77,349)**	(56,608)
Other operating expenses		**(9,544)**	(5,433)
(Loss)/Gain on disposal of subsidiaries	43	**(33)**	624
Gain on fair value adjustment on investment properties	15	**1,092,820**	361,628
Write-down of properties held for sale to net realisable value	26	**(4,006)**	—
Gain on disposal of investment properties	15	**62,552**	101,300
Profit from operations		**1,358,966**	570,064
Finance costs	7	**(88,820)**	(70,912)
Share of profits less losses of:			
— associates		**(11)**	15
— a jointly-controlled entity		**(27)**	(17)
Profit before income tax	8	**1,270,108**	499,150
Income tax expense	11	**(207,170)**	(76,045)
Profit for the year		**1,062,938**	423,105
Attributable to:			
Equity holders of the Company	12	**1,063,285**	422,474
Minority interests		**(347)**	631
Profit for the year		**1,062,938**	423,105
Dividends	13	**15,668**	11,139
Earnings per share for profit attributable to the equity holders of the Company during the year	14		
— Basic		**HK$4.76**	HK$1.90
— Diluted		**HK$4.46**	HK$1.79

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**5,380,282**	4,249,670
Operating lease prepayment	16	**11,537**	11,551
Property, plant and equipment	17	**31,805**	31,011
Properties held for development	18	**51,147**	34,241
Interests in associates	20	**100**	2,831
Interests in a jointly-controlled entity	21	**23,909**	18,309
Available-for-sale financial assets	22	**11**	11
Intangible assets	23	**14,083**	13,920
Goodwill	24	**—**	—
		5,512,874	4,361,544
Current assets			
Inventories	25	**24,470**	25,895
Properties held for sale	26	**637,884**	42,705
Trade and other receivables	27	**78,130**	64,634
Deposits paid for acquisition of properties		**66,462**	32,678
Bank deposit at escrow account	28	**15,168**	—
Cash and cash equivalents	29	**66,052**	88,509
		888,166	254,421
Current liabilities			
Trade and other payables	30	**86,660**	85,161
Current portion of borrowings	31	**506,008**	952,588
Convertible bond	32	**23,355**	—
Provision for income tax		**10,092**	5,824
		626,115	1,043,573
Net current assets/(liabilities)		**262,051**	(789,152)
Total assets less current liabilities		**5,774,925**	3,572,392
Non-current liabilities			
Borrowings	31	**1,361,276**	405,658
Convertible bond	32	**—**	23,355
Deferred tax liabilities	33	**736,220**	540,837
		2,097,496	969,850
Net assets		**3,677,429**	2,602,542
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	34	**22,383**	22,266
Reserves	35	**3,632,994**	2,558,027
		3,655,377	2,580,293
Minority interests		**22,052**	22,249
Total equity		**3,677,429**	2,602,542

Foo Kam Chu, Grace	**Chan Wai Ling**
Director	*Director*

BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	**591,449**	591,449
Current assets			
Other receivables		**234**	225
Bank balances and cash		**21**	20
		255	245
Current liabilities			
Amount due to subsidiaries	19	**22,545**	11,685
Trade and other payables		**457**	964
Convertible bond	32	**23,355**	—
		46,357	12,649
Net current liabilities		**(46,102)**	(12,404)
Total assets less current liabilities		**545,347**	579,045
Non-current liabilities			
Convertible bond	32	**—**	23,355
Net assets		**545,347**	555,690
EQUITY			
Share capital	34	**22,383**	22,266
Reserves	35	**522,964**	533,424
Total equity		**545,347**	555,690

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
Cash flows from operating activities			
Profit before income tax		**1,270,108**	499,150
Share of profit less losses of associates		**11**	(15)
Share of profit less losses of a jointly-controlled entity		**27**	17
Bank interest income		**(1,298)**	(1,529)
Write-back of long outstanding payables		**(1,696)**	—
Interest expenses		**88,820**	70,912
Depreciation of property, plant and equipment		**2,333**	1,866
Amortisation of operating lease prepayment		**14**	14
Amortisation of properties held for development		**990**	796
Amortisation of intangible assets		**801**	659
Equity-settled share based payment expenses		**13,079**	252
Provision for obsolete inventories		**5,301**	3,599
Provision for impairment of trade receivables		**144**	1,029
Provision for impairment of amounts due from associates		**2,742**	—
Bad debts written off		**7**	122
Loss on disposal of property, plant and equipment		**—**	121
Gain on fair value adjustment on investment properties		**(1,092,820)**	(361,628)
Write-down of properties held for sale to net realisable value		**4,006**	—
Gain on disposal of investment properties		**(62,552)**	(101,300)
Loss/(Gain) on disposal of subsidiaries	*43*	**33**	(624)
Operating profit before working capital changes		**230,050**	113,441
Increase in trade and other receivables		**(13,705)**	(10,985)
Increase in deposits paid for acquisition of properties		**(33,784)**	(32,678)
(Increase)/Decrease in inventories		**(3,162)**	1,309
Increase in properties held for sale		**(590,385)**	(42,705)
Increase in bank deposit at escrow account		**(15,168)**	—
Increase in trade and other payables		**3,211**	727
Net cash (used in)/generated from operations		**(422,943)**	29,109
Interest paid		**(88,820)**	(70,210)
Income tax paid		**(7,857)**	(10,646)
Net cash used in operating activities		**(519,620)**	(51,747)

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Cash flows from investing activities		
Additions to property, plant and equipment	**(1,836)**	(1,084)
Capital injection from minority shareholder	**150**	—
(Increase)/Decrease in amounts due from associates	**(22)**	14
Increase in amount due from a jointly-controlled entity	**(5,627)**	(13,524)
Proceeds from disposal of property, plant and equipment	**715**	—
Proceeds from disposal of investment properties	**91,000**	228,303
Payment to acquire investment properties	**(75,040)**	(375,775)
Payment to acquire properties held for development	**(17,896)**	(4,034)
Bank interest received	**1,298**	1,529
Net cash used in investing activities	**(7,258)**	(164,571)
Cash flows from financing activities		
Repayments of bank loans	**(995,024)**	(217,359)
Repayments of other loans	**(60,907)**	(21,869)
Bank loans raised	**1,539,341**	462,349
Other loans raised	**25,628**	14,516
Proceeds from exercise of warrants	**—**	563
Proceeds from exercise of share options	**2,871**	222
Final dividend paid	**(11,191)**	(7,788)
Net cash generated from financing activities	**500,718**	230,634
(Decrease)/Increase in cash and cash equivalents	**(26,160)**	14,316
Cash and cash equivalents at 1 January	**88,509**	72,196
Effect of foreign exchange rate changes, net	**3,703**	1,997
Cash and cash equivalents at 31 December	**66,052**	88,509

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Equity attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Other equity reserve *HK$'000*	Employee share-based equity reserve *HK$'000*	Retained profits *HK$'000*	Exchange reserve *HK$'000*	Special reserve *HK$'000*	Proposed final dividend *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2007	**22,266**	**256,548**	**19,101**	**94**	**1,705**	**2,264,521**	**3,071**	**1,848**	**11,139**	**22,249**	**2,602,542**
Surplus on revaluation of leasehold building *(note 17)*	**—**	**—**	**1,928**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,928**
Deferred tax liabilities arising from asset revaluation reserve of leasehold building	**—**	**—**	**(338)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(338)**
Currency translation difference	**—**	**—**	**—**	**—**	**—**	**—**	**5,450**	**—**	**—**	**—**	**5,450**
Net income recognised directly in equity	**—**	**—**	**1,590**	**—**	**—**	**—**	**5,450**	**—**	**—**	**—**	**7,040**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,063,285**	**—**	**—**	**—**	**(347)**	**1,062,938**
Total recognised income and expense for the year	**—**	**—**	**1,590**	**—**	**—**	**1,063,285**	**5,450**	**—**	**—**	**(347)**	**1,069,978**
Exercise of share options *(note 36)*	**117**	**3,861**	**—**	**—**	**(1,107)**	**—**	**—**	**—**	**—**	**—**	**2,871**
Lapse of share options *(note 36)*	**—**	**—**	**—**	**—**	**(95)**	**95**	**—**	**—**	**—**	**—**	**—**
Equity-settled share-based payment *(note 36)*	**—**	**—**	**—**	**—**	**13,079**	**—**	**—**	**—**	**—**	**—**	**13,079**
Underprovision for final dividend for 2006	**—**	**—**	**—**	**—**	**—**	**(52)**	**—**	**—**	**52**	**—**	**—**
Final dividend paid for 2006 *(note 13(b))*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(11,191)**	**—**	**(11,191)**
Proposed final dividend for 2007 *(note 13(a))*	**—**	**—**	**—**	**—**	**—**	**(15,668)**	**—**	**—**	**15,668**	**—**	**—**
Capital injection from minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**150**	**150**
At 31 December 2007	**22,383**	**260,409**	**20,691**	**94**	**13,582**	**3,312,181**	**8,521**	**1,848**	**15,668**	**22,052**	**3,677,429**
At 1 January 2006	22,222	255,763	17,210	94	1,589	1,853,094	673	1,848	7,788	17,609	2,177,890
Surplus on revaluation of leasehold building *(note 17)*	—	—	2,292	—	—	—	—	—	—	—	2,292
Deferred tax liabilities arising from asset revaluation reserve of leasehold building	—	—	(401)	—	—	—	—	—	—	—	(401)
Currency translation difference	—	—	—	—	—	—	2,398	—	—	—	2,398
Net income recognised directly in equity	—	—	1,891	—	—	—	2,398	—	—	—	4,289
Profit for the year	—	—	—	—	—	422,474	—	—	—	631	423,105
Total recognised income and expense for the year	—	—	1,891	—	—	422,474	2,398	—	—	631	427,394
Exercise of warrants	29	534	—	—	—	—	—	—	—	—	563
Exercise of share options *(note 36)*	15	251	—	—	(44)	—	—	—	—	—	222
Lapse of share options *(note 36)*	—	—	—	—	(92)	92	—	—	—	—	—
Equity-settled share-based payment *(note 36)*	—	—	—	—	252	—	—	—	—	—	252
Final dividend paid for 2005 *(note 13(b))*	—	—	—	—	—	—	—	—	(7,788)	—	(7,788)
Proposed final dividend for 2006 *(note 13(a))*	—	—	—	—	—	(11,139)	—	—	11,139	—	—
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	4,009	4,009
At 31 December 2006	22,266	256,548	19,101	94	1,705	2,264,521	3,071	1,848	11,139	22,249	2,602,542

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 46 to the financial statements.

The Directors consider the Company's ultimate holding company to be Ko Bee Limited, which is incorporated in the British Virgin Islands with limited liability.

The financial statements on pages 27 to 106 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 15 April 2008.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial period beginning on 1 January 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) Int-8	Scope of HKFRS 2
HK(IFRIC) Int-9	Reassessment of Embedded Derivatives
HK(IFRIC) Int-10	Interim Financial Reporting and Impairment

The adoption of these new and amended HKFRSs did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these new and amended HKFRSs have been considered. The adoption of these new and amended HKFRSs did not result in changes to the amounts in these financial statements in the current year or prior periods.

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

HKAS 1 (Amendment) — Capital Disclosures

In accordance with HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are set out in note 45.

HKFRS 7 — Financial Instruments: Disclosures

HKFRS 7 — Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 — Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

- a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

New and amended HKFRSs that have been issued but not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [5]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellation [1]
HKFRS 3 (Revised)	Business Combinations [5]
HKFRS 8	Operating Segments [1]
HK(IFRIC) Int-11	HKFRS 2: Group and Treasury Share Transactions [2]
HK(IFRIC) Int-12	Service Concession Arrangements [3]
HK(IFRIC) Int-13	Customer Loyalty Programmes [4]
HK(IFRIC) Int-14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Notes

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 July 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for the revaluation of investment properties, leasehold building and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries and minority interests

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries and minority interests *(Continued)*

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Associates/Jointly-controlled entity

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% to 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investments in associates is initially recognised at cost and subsequently accounted for using the equity method.

A jointly-controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exist only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

Under the equity method, the Group's interests in the associate or jointly-controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly-controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate or jointly-controlled entity for the year, including any impairment loss on goodwill relating to the investment in associate or jointly-controlled entity recognised for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates/Jointly-controlled entity *(Continued)*

When the Group's share of losses in the associate or jointly-controlled entity equals or exceeds its interest in the associate or jointly-controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payment on behalf of the associate or jointly-controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determined whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates and jointly-controlled entity. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate and jointly-controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate or jointly-controlled entity and their respective carrying amount.

Unrealised gains on transactions between the Group and its associates or jointly-controlled entity are eliminated to the extent of the Group's interest in the associates or jointly-controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investments in associates or jointly-controlled entity are stated at cost less any impairment losses (or at fair values). The results of associates or jointly-controlled entity are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisition of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Revenue recognition

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

Sales of properties is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Income from management services, property repair and maintenance services are recognised in the period when the respective services are rendered.

Revenue from urban infrastructure projects, such as the construction works for telecommunication pipelines, are recognised when the construction works are fully completed and sold to customers. Completion is determined based on certification by independent third party quantity surveyors.

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

3.7 Borrowing costs

All borrowing costs are expensed as incurred.

3.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and associate at the date of acquisition. Goodwill of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Any excess of the Group's interest in fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over the cost of a business combination is recognised immediately in income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Intangible assets

Intangible assets representing urban infrastructure development rights are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of 20 years for the intangible assets. Intangible assets are amortised from the date the asset is available for use.

3.10 Property, plant and equipment

Leasehold building is recognised at fair value, based on their use at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Fair value is determined in appraisals by external professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Any revaluation surplus arising upon appraisal of leasehold building is credited to the "Asset revaluation reserve" in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.14. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase charged to equity. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in income statement.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on the disposal of buildings is transferred to retained earnings.

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 costs, such as repairs and maintenance are charged to the income statement during the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost or revalued amounts of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold building	2%
Leasehold improvements	30%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	6% — 15%

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

3.11 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the income statement.

When there is change in use from investment properties to properties held for sale, investment properties are transferred at its fair value as the deemed cost of properties held for sale.

3.12 Properties held for or under development

Properties held for or under development representing operating lease prepayment on leasehold land and any directly attributable expenditure, with the intention for holding for long-term purposes or no decision has yet been made on their future use are included in the balance sheet as non-current assets and stated at cost, less accumulated amortisation and impairment losses. The amortisation policy is disclosed in note 3.15 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost and other direct costs attributable to the properties concerned until they reach a marketable state. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.

3.14 Impairment of assets

The Group's goodwill, intangible assets, operating lease prepayment, property, plant and equipment, properties held for development, investments in associates and investment in a jointly-controlled entity are subject to impairment testing.

Goodwill with an indefinite useful life is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Impairment loss recognised for cash-generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Impairment of assets *(Continued)*

An impairment loss on goodwill is not reversed in subsequent periods whilst an impairment loss on other assets is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 Leases

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

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payment made under the leases are charged to the income statement on a straight line basis over the lease terms.

3.16 Financial assets

Financial assets other than hedging instruments are classified into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement.

For available-for-sale investments in equity securities 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.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in the income statement when the receivables are decognised or impaired, as well as through the amortisation process.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Receivables

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial 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 losses are not reversed in subsequent periods.

3.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

3.18 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Income taxes *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill. Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, associates and jointly-controlled entity, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the foreseeable future.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.19 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

3.20 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.21 Retirement benefit costs and short term employee benefits

Defined contribution plan

The Group contributes to the defined contribution retirement schemes which are available to employees in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC"). Contributions to the schemes by the Group and employees are calculated as a percentage of employees' relevant income or basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay any further contributions after payment of the fixed contribution.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Retirement benefit costs and short term employee benefits *(Continued)*

Defined contribution plan *(Continued)*

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. The assets of the schemes are held separately from those of the Group in independently administered funds.

Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and that have not yet vested at 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate certain of its directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.22 Financial liabilities

The Group's financial liabilities include bank and other loans, trade and other payables and convertible bonds. They are included in balance sheet line items as borrowings under current or non-current liabilities, trade and other payables and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Financial liabilities *(Continued)*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Borrowings

Borrowings are raised to provide long term funding for the Group's operations. They are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Convertible bond

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

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On that initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as other equity reserve.

The liability component is subsequently carried at amortised cost using effective interest rate method. The equity component will remain in equity until conversion or redemption of bond.

When the bond is converted, the other equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the other equity reserve is released directly to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Financial liabilities *(Continued)*

Trade and other payables

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

3.23 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one of more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.24 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised as investment in subsidiaries on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:
— controls, is controlled by, or is under common control with, the Group;
— has an interest in the Group that gives it significant influence over the Group;
— has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

3.26 Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, inventories, receivables and operating cash, and mainly exclude other investments. Segment liabilities comprise operating liabilities and exclude borrowings and convertible bond.

Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Fair value of investment properties and leasehold building

As at balance sheet date, the Group's main investment properties and leasehold building, Soundwill Plaza, are stated at fair value based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuers have used the market value on an existing use basis which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential. Certain investment properties adjacent to each other, which also adopted the aforesaid method in last year, were revalued on redevelopment basis by adopting the residual site method this year, The residual site method is determined by deducting the gross development value of the proposed development from the estimated total cost of the development including costs of construction, professional fee, finance cost, associated costs, and an allowance for developer's risk and profit. In relying on this valuation, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventories are shown at the lower of cost and net realisable value.

(iii) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the balance sheet date.

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	2007 HK$'000	2006 HK$'000
Turnover represents:		
Sales of properties	**230,000**	—
Property rental income	**141,176**	115,917
Revenue from urban infrastructure construction works	**53,594**	47,725
Building management service income	**5,470**	4,991
Property repairs and maintenance service income	**9,633**	8,637
Mortgage interest income	**7**	54
Signage rental	**19,606**	15,817
Office facilities and service income	**5,187**	4,323
	464,673	197,464
Other income:		
Bank interest income	**1,298**	1,529
Miscellaneous income	**2,859**	2,709
Write-back of long outstanding payables	**1,696**	—
	5,853	4,238
Total revenue and other income	**470,526**	201,702

6. SEGMENT INFORMATION

Primary reporting format — business segments

The Group is organised into five main business segments:

Property assembling business	:	Property assembly and trading
Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Provision of property management, repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Secondary reporting format — geographical segments

The Group's five business segments operate in the following geographic areas:

Hong Kong	—	Property assembly and trading, property development and sales of properties, property rental and provision of property management, repairs and maintenance services
Mainland China	—	Urban infrastructure development and property development

There are no sales between the geographical segments.

The Group's inter-segment transactions were related to rental and management fee charges. Management fee charges were determined by directors.

6. SEGMENT INFORMATION *(Continued)*

(i) Primary reporting format — business segments

The following table presents revenue and results information for the year ended 31 December 2007 and certain assets and liabilities information as at 31 December 2007 for the Group's business segments:

	Property assembling business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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$'000	HK$'000	HK$'000	HK$'000
Segment revenue																
External customers	246,428	–	–	–	149,541	136,057	15,103	13,628	53,594	47,725	7	54	–	–	464,673	197,464
Inter-segments	–	–	–	–	5,284	4,638	240	–	–	–	–	–	(5,524)	(4,638)	–	–
	246,428	–	–	–	154,825	140,695	15,343	13,628	53,594	47,725	7	54	(5,524)	(4,638)	464,673	197,464
Segment results	93,500	–	(1,109)	(885)	141,554	129,492	7,081	6,805	5,533	998	(2,489)	(1,033)	–	–	244,070	135,377
Inter-segments	637	–	–	–	(2,064)	(1,462)	163	403	–	–	1,264	1,059	–	–	–	–
Contribution from operations	94,137	–	(1,109)	(885)	139,490	128,030	7,244	7,208	5,533	998	(1,225)	26	–	–	244,070	135,377
Gain on fair value adjustment on investment properties	9,100	–	–	–	1,083,720	361,628	–	–	–	–	–	–	–	–	1,092,820	361,628
Write-down of properties held for sale to net realisable value	(4,006)	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,006)	–
Gain on disposal of investment properties	–	–	–	–	62,552	101,300	–	–	–	–	–	–	–	–	62,552	101,300
	99,231	–	(1,109)	(885)	1,285,762	590,958	7,244	7,208	5,533	998	(1,225)	26	–	–	1,395,436	598,305
Unallocated income and expenses															(36,437)	(28,865)
(Loss)/Gain on disposal of subsidiaries															(33)	624
Profit from operations															1,358,966	570,064
Finance costs															(88,820)	(70,912)
Share of profits less losses of associates															(11)	15
Share of profits less losses of a jointly-controlled entity															(27)	(17)
Profit before income tax															1,270,108	499,150
Income tax expense															(207,170)	(76,045)
Profit for the year															1,062,938	423,105

6. SEGMENT INFORMATION *(Continued)*

(i) Primary reporting format — business segments *(Continued)*

	Property assembling business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Elimination		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit attributable to equity holders of the Company															**1,063,285**	422,474
Minority interests															**(347)**	631
Profit for the year															**1,062,938**	423,105
Segment assets	**809,499**	—	**59,793**	34,247	**5,358,123**	4,422,525	**3,955**	3,486	**142,570**	129,981	**3,091**	4,586	**—**	—	**6,377,031**	4,594,825
Interests in associates															**100**	2,831
Interests in a jointly-controlled entity															**23,909**	18,309
Total assets															**6,401,040**	4,615,965
Segment liabilities	**28,069**	—	**19**	42	**771,910**	591,648	**8,359**	8.061	**16,371**	21,846	**8,244**	33,580	**—**	—	**832,972**	655,177
Unallocated liabilities															**1,890,639**	1,358,246
Total liabilities															**2,723,611**	2,013,423

6. SEGMENT INFORMATION *(Continued)*

(i) Primary reporting format — business segments *(Continued)*

Other segment information extracted from the income statement and balance sheet.

	Property assembling business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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$'000***	*HK$'000*
Capital expenditure	**63**	—	**17,894**	4,034	**75,443**	420,659	**2**	—	**745**	4,298	**625**	76	**94,772**	429,067
Depreciation	**12**	—	**—**	2	**1,383**	1,067	**4**	3	**517**	467	**417**	327	**2,333**	1,866
Amortisation of intangible assets	**—**	—	**—**	—	**—**	—	**—**	—	**801**	659	**—**	—	**801**	659
Provision for impairment of trade receivables	**—**	—	**—**	—	**—**	44	**144**	644	**—**	329	**—**	12	**144**	1,029

(ii) Secondary reporting format — geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical markets:

	Segment revenue	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**411,079**	149,739
PRC	**53,594**	47,725
	464,673	197,464

6. SEGMENT INFORMATION *(Continued)*

(ii) Secondary reporting format — geographical segments *(Continued)*

The following tables show the carrying amount of segment assets and additions to investment properties, property, plant and equipment, properties held for development and intangible assets by geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to investment properties, property, plant and equipment, properties held for development and intangible assets**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**6,218,198**	4,464,844	**77,601**	424,769
PRC	**158,833**	129,981	**17,171**	4,298
	6,377,031	4,594,825	**94,772**	429,067

7. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
— wholly repayable within five years	**68,937**	45,682
— not wholly repayable within five years	**17,294**	17,867
Other borrowings wholly repayable within five years	**1,511**	6,211
Convertible bond *(note 32)*	**1,078**	1,152
	88,820	70,912

8. PROFIT BEFORE INCOME TAX

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets *	**801**	659
Auditors' remuneration	**1,657**	1,383
Amortisation of:		
— operating lease prepayment	**14**	14
— properties held for development	**990**	796
Depreciation	**2,333**	1,866
Cost of inventories recognised as expense	**27,452**	27,486
Cost of properties held for sale recognised as expense	**136,657**	—
Loss on disposal of property, plant and equipment	**—**	121
Operating lease charges in respect of premises	**2,362**	2,117
Provision for obsolete inventories *	**5,301**	3,599
Provision for impairment of trade receivables *	**144**	1,029
Provision for impairment of amounts due from associates *	**2,742**	—
Bad debts written off *	**7**	122
Deposits for property acquisition written off *	**543**	—
Staff costs *(note 10)*	**42,704**	24,357
and crediting:		
Gross rental income from investment properties	**141,176**	115,917
Less: Outgoings	**(2,874)**	(1,720)
	138,302	114,197
Other rental income less outgoings from other properties	**5,007**	4,295
	143,309	118,492

* included in other operating expenses

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2007					
Executive directors					
Ms. Foo Kam Chu, Grace	—	2,430	12	1,400	3,842
Ms. Chan Wai Ling	—	1,290	12	4,277	5,579
Mr. Tse Chun Kong, Thomas	—	1,631	12	250	1,893
Mr. Kwan Chai Ming	—	818	12	370	1,200
Non-executive directors					
Mr. Liang Yanfeng	—	—	—	267	267
Mr. Meng Qinghui	—	—	—	267	267
Independent non-executive directors					
Mr. Heng Kwoo Seng	80	—	—	—	80
Mr. Kwan Kai Cheong	70	—	—	—	70
Ms. Ho Suk Yin	60	—	—	—	60
	210	**6,169**	**48**	**6,831**	**13,258**
Year ended 31 December 2006					
Executive directors					
Ms. Foo Kam Chu, Grace	—	1,730	12	43	1,785
Ms. Chan Wai Ling	—	1,120	12	19	1,151
Mr. Tse Chun Kong, Thomas	—	1,631	12	19	1,662
Mr. Kwan Chai Ming	—	734	12	17	763
Non-executive directors					
Mr. Liu Hanbo *	—	—	—	2	2
Mr. Liang Yanfeng **	—	—	—	—	—
Mr. Meng Qinghui	—	—	—	9	9
Independent non-executive directors					
Mr. Heng Kwoo Seng	80	—	—	—	80
Mr. Kwan Kai Cheong	70	—	—	—	70
Ms. Ho Suk Yin	60	—	—	—	60
	210	5,215	48	109	5,582

* resigned on 5 December 2006

** appointed on 5 December 2006

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2006: three) directors of the Company, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2006: two) individuals during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and other benefits	**2,736**	2,483
Pension costs — defined contribution plan	**24**	24
Equity-settled share-based payment	**4,970**	28
	7,730	2,535

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Nil — HK$1,000,000	—	—
HK$1,000,001 — HK$1,500,000	—	2
HK$1,500,001 — HK$2,000,000	—	—
HK$2,000,001 — HK$2,500,000	—	—
HK$2,500,001 — HK$3,000,000	**1**	—
HK$3,000,001 — HK$3,500,000	—	—
HK$3,500,001 — HK$4,000,000	—	—
HK$4,000,001 — HK$4,500,000	—	—
HK$4,500,001 — HK$5,000,000	—	—
HK$5,000,001 — HK$5,500,000	**1**	—

During the year ended 31 December 2007, no emoluments were paid by the Group to the directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during the two years ended 31 December 2007 and 2006.

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	*HK$'000*
Salaries and wages (including directors' remuneration)	**27,935**	22,935
Equity-settled share-based payment	**13,079**	252
Pension costs — defined contribution plans	**1,202**	966
Staff welfare	**488**	204
	42,704	24,357

11. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax		
Tax for the year	**12,073**	5,356
(Over-)/Under-provision in prior years	**(56)**	3,734
	12,017	9,090
PRC tax		
Tax for the year	**108**	301
	12,125	9,391
Deferred tax charge *(note 33)*	**195,045**	66,654
	207,170	76,045

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in Hong Kong for the year.

The Group's subsidiaries established and operating in the Mainland China are exempt from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years. The tax rates applicable to certain PRC subsidiaries after the 50% relief ranged from 7.5% to 12% (2006: 7.5% to 12%). Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. According to the implementation rules dated 26 December 2007 issued by State Council, the foreign enterprises are entitled to tax holidays under the old regime, if the enterprises obtained their business licenses before 16 March 2007. In this connection, the above mentioned tax holiday will continue to be applicable to the Group's PRC subsidiaries.

11. INCOME TAX EXPENSE *(Continued)*

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax	**1,270,108**	499,150
Tax at the applicable tax rates	**223,139**	87,505
Tax effect of non-deductible expenses	**3,883**	2,175
Tax effect of non-taxable income	**(11,683)**	(172)
Tax effect of temporary differences not recognised	**40**	38
Tax effect of tax losses not recognised	**4,566**	2,494
Utilisation of previously unrecognised tax losses	**(13,229)**	(19,832)
(Over-)/Under-provision in prior years	**(56)**	3,734
Others	**510**	103
Income tax expense	**207,170**	76,045

12. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company of HK$1,063,285,000 (2006: profit of HK$422,474,000), a loss of HK$15,102,000 (2006: loss of HK$2,944,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

(a) Dividend attributable to the year

	2007	2006
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.07 (2006: HK$0.05) per share	**15,668**	11,139

Final dividend of HK$0.07 (2006: HK$0.05) per share for the year to shareholders whose names appear on the register of members on 23 May 2008 (the "Record Date") was proposed by the Directors on 15 April 2008.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

13. DIVIDENDS *(Continued)*

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2007	2006
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, of HK$0.05 per share (2006: HK$0.035 per share)	**11,191**	7,788

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**1,063,285**	422,474
Effect of reduction of interest payable arising from convertible bond	**1,078**	1,152
Profit used to determine diluted earnings per share	**1,064,363**	423,626

Number of shares

Weighted average number of ordinary shares for the purposes of basic earnings per share	**223,426,475**	222,520,080
Effect of dilutive potential ordinary shares in respect of:		
Share options	**869,886**	258,324
Share warrants	**—**	85,013
Convertible bond	**14,156,320**	14,156,320
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**238,452,681**	237,019,737

15. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**4,249,670**	3,654,270
Additions	**75,040**	375,775
Disposals	**(28,448)**	(142,003)
Reclassified to properties held for sale *(note 26)*	**(8,800)**	—
Net gain from fair value adjustments	**1,092,820**	361,628
Carrying amount at 31 December	**5,380,282**	4,249,670

During the year, certain subsidiaries of the Company disposed of their investment properties with aggregate carrying value of HK$28,448,000 at total consideration of HK$91,000,000, resulting in a gain of HK$62,552,000 after taking into account of selling and directly attributable expenses.

The Group's investment properties were revalued at 31 December 2007 by independent, professionally qualified valuer, B.I. Appraisals Limited. The valuation was mainly arrived at by reference to the bases as described in note 4(i) to the financial statements.

The Group's interests in investment properties are situated in Hong Kong and their carrying amount are analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Held on lease over 50 years	**5,342,432**	4,214,570
Held on lease from 10 to 50 years	**37,850**	35,100
	5,380,282	4,249,670

As at 31 December 2007, certain investment properties of the Group with total carrying value of HK$5,160,580,000 (2006: HK$4,083,595,000) were pledged to secure certain bank loans of HK$1,542,698,000 (2006: HK$1,290,338,000) (note 31).

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. OPERATING LEASE PREPAYMENT

The Group's interest in leasehold land represent operating lease prepayments and its net carrying value are analysed as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**11,551**	11,565
Amortisation of operating lease prepayment	**(14)**	(14)
Carrying amount at 31 December	**11,537**	11,551

The Group's interest in leasehold land is located in Hong Kong with remaining lease period of over 50 years.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006					
Cost/Valuation	24,600	9,196	9,361	2,364	45,521
Accumulated depreciation	—	(8,294)	(7,417)	(1,652)	(17,363)
Net carrying amount	24,600	902	1,944	712	28,158
Year ended 31 December 2006					
Opening net carrying amount	24,600	902	1,944	712	28,158
Additions	—	2,133	234	142	2,509
Surplus on revaluation	2,292	—	—	—	2,292
Disposals	—	(112)	(9)	—	(121)
Depreciation	(492)	(561)	(626)	(187)	(1,866)
Translation difference	—	—	25	14	39
Closing net carrying amount	26,400	2,362	1,568	681	31,011
At 31 December 2006					
Cost/Valuation	26,400	10,997	5,269	1,437	44,103
Accumulated depreciation	—	(8,635)	(3,701)	(756)	(13,092)
Net carrying amount	26,400	2,362	1,568	681	31,011
Analysis of cost/valuation					
At cost	—	10,997	5,269	1,437	17,703
At professional valuation	26,400	—	—	—	26,400
	26,400	10,997	5,269	1,437	44,103

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

	Leasehold building *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2007					
Opening net carrying amount	26,400	2,362	1,568	681	31,011
Additions	—	402	760	674	1,836
Surplus on revaluation	1,928	—	—	—	1,928
Disposals	—	(147)	(144)	(424)	(715)
Depreciation	(528)	(854)	(632)	(319)	(2,333)
Translation difference	—	—	52	26	78
Closing net carrying amount	27,800	1,763	1,604	638	31,805
At 31 December 2007					
Cost/Valuation	27,800	11,109	5,717	1,727	46,353
Accumulated depreciation	—	(9,346)	(4,113)	(1,089)	(14,548)
Net carrying amount	27,800	1,763	1,604	638	31,805
Analysis of cost/valuation					
At cost	—	11,109	5,717	1,727	18,553
At professional valuation	27,800	—	—	—	27,800
	27,800	11,109	5,717	1,727	46,353

At the balance sheet date, the Group's leasehold building held under long-term leases in Hong Kong is stated at valuation of HK$27,800,000 (2006: HK$26,400,000).

At 31 December 2007, the Group's leasehold building was valued by B.I. Appraisals Limited by reference to the bases as described in note 4(i) to the financial statements. A revaluation surplus of approximately HK$1,928,000 (2006: HK$2,292,000) had been credited to asset revaluation reserve.

Had the leasehold building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2007 would have been approximately HK$6,293,000 (2006: HK$6,422,000).

18. PROPERTIES HELD FOR DEVELOPMENT

Group

	2007	2006
	HK$'000	*HK$'000*
Year ended 31 December		
Opening net carrying amount	**34,241**	31,003
Additions	**17,896**	4,034
Amortisation	**(990)**	(796)
Closing net carrying amount	**51,147**	34,241
At 31 December		
Cost	**57,118**	39,222
Accumulated amortisation	**(5,971)**	(4,981)
Net carrying amount	**51,147**	34,241
Analysis of lease terms:		
In Hong Kong — held on lease between 10 to 50 years	**34,884**	34,241
In the PRC — held on lease between 10 to 50 years	**16,263**	—
Net carrying amount	**51,147**	34,241

19. INTERESTS IN SUBSIDIARIES

Company

	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**2,318,856**	2,318,856
Less: impairment loss	**(1,773,856)**	(1,773,856)
	545,000	545,000
Amounts due from subsidiaries	**1,524,136**	1,524,136
Less: Provision for impairment	**(1,477,687)**	(1,477,687)
	46,449	46,449
	591,449	591,449

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiaries are set out in note 46 to the financial statements.

20. INTERESTS IN ASSOCIATES

Group

	2007	2006
	HK$'000	*HK$'000*
Unlisted share, at cost	**3**	3
Share of post - acquisition results	**97**	108
	100	111
Amounts due from associates	**2,742**	2,720
Less: Provision for impairment	**(2,742)**	—
	—	2,720
	100	2,831

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. No repayment will be demanded within 12 months from the balance sheet date and the amounts are classified as non-current assets accordingly.

20. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates as at 31 December 2007 are as follows:

Company name	Particulars of issued shares held	Country of incorporation/ operation	% Interest held	Principal activities
Happy Wealth Industries Limited	2 ordinary shares of HK$1 each	Hong Kong	30%	Property investment
Wellway Estate Limited	10,000 ordinary shares of HK$1 each	Hong Kong	30%	Investment holding and property investment

The following table illustrates the summarised financial information of the Group's associates, extracted from their unaudited management accounts:

	2007 **HK$'000**	2006 HK$'000
Assets	**10,033**	10,070
Liabilities	**9,690**	9,699
Revenue	**18**	38
(Loss)/Profit for the year	**(37)**	44

21. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

Group

	2007 **HK$'000**	2006 HK$'000
Unlisted share, at cost	**1**	1
Share of post-acquisition results	**(50)**	(23)
	(49)	(22)
Amount due from a jointly-controlled entity	**23,958**	18,331
	23,909	18,309

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. No repayment will be demanded within 12 months from the balance sheet date and the amount is classified as non-current assets accordingly.

21. INTERESTS IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

Particulars of the jointly-controlled entity at 31 December 2007 are as follows:

Company name	Place of incorporation and operations	Issued and paid-up capital	Percentage of: Ownership interest attributable to the Group	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities
Golden Choice Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each	50%	50%	50%	Property development

The following is a condensed summary of financial information of the Group's jointly-controlled entity, extracted from its unaudited management account:

	2007 **HK$'000**	2006 HK$'000
Share of assets and liabilities attributable to the Group		
Current assets	**11,930**	9,142
Current liabilities	**(11,980)**	(9,165)
Net liabilities	**(50)**	(23)
Share of results attributable to the Group		
Revenue	**—**	—
Administrative expenses	**(27)**	(17)
Loss for the year	**(27)**	(17)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2007	2006
	HK$'000	*HK$'000*
Unlisted investment, at cost	**6,660**	6,660
Provision for impairment losses	**(6,650)**	(6,650)
	10	10
Listed equity securities, at fair value — listed in Hong Kong	**1**	1
	11	11
Market value of listed investments	**1**	1

Unlisted investment represents 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong.

The unlisted investment is classified as an available-for-sale financial assets because in the opinion of the directors, the Group has no significant influence over the financial and operating policy decisions of the investee company.

23. INTANGIBLE ASSETS

Group

	Urban infrastructure development rights HK$'000
At 1 January 2006	
Cost	10,918
Accumulated amortisation	(835)
Net carrying amount	10,083
Year ended 31 December 2006	
Opening net carrying amount	10,083
Additions	4,044
Amortisation charge	(659)
Translation difference	452
Closing net carrying amount	13,920
At 31 December 2006	
Cost	15,460
Accumulated amortisation	(1,540)
Net carrying amount	13,920
Year ended 31 December 2007	
Opening net carrying amount	13,920
Amortisation charge	(801)
Translation difference	964
Closing net carrying amount	14,083
At 31 December 2007	
Cost	16,567
Accumulated amortisation	(2,484)
Net carrying amount	14,083

The amortisation charge for the year is included in other operating expenses.

24. GOODWILL

Group

	2007	2006
	HK$'000	*HK$'000*
Gross amount		
At 1 January	**3,714**	10,594
Disposal of subsidiaries	**—**	(6,880)
At 31 December	**3,714**	3,714
Accumulated impairment loss		
At 1 January	**(3,714)**	(10,594)
Disposal of subsidiaries	**—**	6,880
At 31 December	**(3,714)**	(3,714)
Net carrying amount		
Gross amount	**3,714**	3,714
Accumulated impairment loss	**(3,714)**	(3,714)
At 31 December	**—**	—

25. INVENTORIES

Group

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**1,082**	357
Work in progress	**7,953**	8,780
Finished goods	**27,226**	22,534
	36,261	31,671
Less: provision for obsolete inventories	**(11,791)**	(5,776)
	24,470	25,895

Work in progress and finished goods represent urban infrastructure construction works either in progress or completed and available for sale as at the balance sheet date.

26. PROPERTIES HELD FOR SALE

Group

	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**42,705**	—
Additions	**727,042**	42,705
Reclassification from investment properties *(note 15)*	**8,800**	—
Disposal	**(136,657)**	—
	641,890	42,705
Less: write-down to net realisable value	**(4,006)**	—
Carrying amount at 31 December	**637,884**	42,705
Properties held for sale stated		
— at cost	**605,934**	42,705
— at net realisable value	**31,950**	—
	637,884	42,705

On 18 April 2007, certain subsidiaries of the Company entered into a sale and purchase agreement concerning disposal of certain properties with carrying value of HK$136,657,000 at a consideration of HK$230,000,000, resulting in a gain of HK$88,199,000 after taking into account of selling and directly attributable expenses of HK$5,144,000.

As at 31 December 2007, the Group's properties held for sale with aggregate carrying value of HK$564,937,000 (2006: HK$10,873,000) were pledged to secure certain bank loans of HK$298,957,000 (2006: HK$7,000,000) (note 31).

27. TRADE AND OTHER RECEIVABLES

Group

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**65,545**	61,857
Less: Provision for impairment	**(2,235)**	(2,091)
Trade receivables, net	**63,310**	59,766
Other receivable, utility deposit and prepayment	**14,820**	4,868
	78,130	64,634

27. TRADE AND OTHER RECEIVABLES *(Continued)*

The credit terms of the Group range from 30 to 90 days. At 31 December 2007, the ageing analysis of the trade receivables was as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**36,324**	32,846
31 – 90 days	**6,356**	6,684
91 – 180 days	**5,834**	2,850
Over 180 days	**14,796**	17,386
Total trade receivables	**63,310**	59,766

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year is as follows :

Group

	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**2,091**	1,062
Provision for impairment	**144**	1,029
At end of year	**2,235**	2,091

At 31 December 2007, included in the allowance for doubtful debts are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than one year and management assessed that only limited portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables that are not impaired are as follows :

Group

	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**42,680**	39,530
Less than 90 days past due	**5,834**	2,850
Past due more than 90 days but less than 1 year	**4,805**	11,234
Past due more than 1 year but less than 2 years	**9,991**	6,152
At 31 December	**63,310**	59,766

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there were no recent history of default. Trade receivables that were past due but not impaired related to a number of customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

28. BANK DEPOSIT AT ESCROW ACCOUNT

Part of the purchase consideration arising from the disposal of properties held for sale (note 26) was deposited in an escrow account pending for the fulfilment of certain conditions of the transaction. The bank deposit at fixed-rate earns effective interest rate of 2.76% per annum and the deposit period is 32 days. As at 31 December 2007, the Group had not fulfilled these conditions. The funds held in the escrow account was subsequently released upon satisfaction of these conditions on 29 January 2008.

29. CASH AND CASH EQUIVALENTS

Group

	2007	2006
	HK$'000	*HK$'000*
Bank and cash balances	**10,054**	28,509
Short-term bank deposits	**55,998**	60,000
	66,052	88,509

29. CASH AND CASH EQUIVALENTS *(Continued)*

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits were made for the periods ranging between 8 to 14 days (2006: 4 to 14 days) depending on the immediate cash requirement of the Group, and earned interest at respective short-term deposit rates ranging from 3.0% to 5.375% (2006: 3.0% to 4.8%) per annum. The carrying amount of the cash and cash equivalents approximate to their fair values.

Included in bank and cash balances of the Group is HK$44,840,000 (2006: HK$21,645,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

30. TRADE AND OTHER PAYABLES

Group

	2007	2006
	HK$'000	*HK$'000*
Trade payables	**20,228**	27,183
Receipt in advance	**8,214**	8,467
Rental and other deposits received	**48,309**	40,202
Accrued expenses and other payables	**9,909**	9,309
	86,660	85,161

At 31 December 2007, the ageing analysis of the trade payables was as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**10,935**	12,970
31 – 90 days	**1,182**	1,764
Over 90 days	**8,111**	12,449
Total trade payables	**20,228**	27,183

31. BORROWINGS

Group

	2007	2006
	HK$'000	*HK$'000*
Non-current		
Bank loans — secured	**1,361,276**	405,658
Current		
Bank loans — secured	**480,379**	891,680
Other loans	**25,629**	60,908
	506,008	952,588
Total borrowings	**1,867,284**	1,358,246

At 31 December 2007, the Group's borrowings were repayable as follows :

	2007		2006	
	Bank loans-secured	**Other loans**	Bank loans-secured	Other loans
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
On demand or within one year	**480,379**	**25,629**	891,680	60,908
Within a period of more than one year but not exceeding two years	**275,276**	**—**	87,936	—
Within a period of more than two years but not exceeding five years	**863,989**	**—**	110,319	—
Due after five years	**222,011**	**—**	207,403	—
Total	**1,841,655**	**25,629**	1,297,338	60,908

Bank loans are secured by certain investment properties and properties held for sale of the Group as set out in notes 15 and 26 respectively to the financial statements.

The analysis that shows the remaining contractual maturities of the Group's borrowings is set out in note 44.1(d) to the financial statements.

31. BORROWINGS *(Continued)*

The effective interest rates at the balance sheet date were as follows :

	2007	2006
Bank borrowings	**HIBOR+0.85% to HIBOR+1.125%**	HIBOR+1.125% to Prime lending rate–1%
Other borrowings	**Prime lending rate+1%**	Prime lending rate+1%

32. CONVERTIBLE BOND

Company and Group

On 17 June 2004, the Company entered into an agreement (the "Agreement") with Ko Bee Limited ("Ko Bee"), the ultimate holding company of the Company, in relation to subscription and issue of the convertible bond (the "Bond") of the Company.

In August 2004, the Company issued the Bond to Ko Bee at a nominal value of HK$148,499,000. The Bond bears interest at 3% per annum below prime lending rate quoted by Hong Kong and Shanghai Banking Corporation Limited. The Bond matures on 17 June 2008 and can be converted into shares at the holder's option at the exercise price of HK$1.66 per share (the "Conversion price"). On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted a total principal amount of HK$55,000,000 and HK$70,000,000 at the Conversion price into 33,132,530 shares and 42,168,674 shares respectively.

The movement in the liability component of the Bond is as follows :

	2007 *HK$'000*	2006 *HK$'000*
Liability component at 1 January	**23,355**	23,355
Interest charged to finance costs *(note 7)*	**1,078**	1,152
Interest paid/accrued	**(1,078)**	(1,152)
Liability component at 31 December	**23,355**	23,355

32. CONVERTIBLE BOND *(Continued)*

The fair value of the liability component of the Bond at 31 December 2007 amounted to approximately HK$22,816,000 (2006: HK$22,816,000), which is calculated using cash flows discounted at the market interest risk for an equivalent non-convertible bond, which the directors of the Company have estimated to be 5.75% (2006: 5.75%) per annum.

Interest expenses on the Bond is calculated using the effective interest method by applying the effective interest rate of 4.93% (2006: 4.93%) per annum to the liability component.

33. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows :

Group

	2007	2006
	HK$'000	*HK$'000*
At 1 January	**540,837**	473,782
Deferred taxation charged to :		
— income statement *(note 11)*	**195,045**	66,654
— asset revaluation reserve	**338**	401
At 31 December	**736,220**	540,837

The following are the major deferred tax liabilities recognised in the balance sheet and the movements during the current and prior years :

	Accelerated tax depreciation		**Fair value gains**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**27,237**	23,467	**513,600**	450,315	**540,837**	473,782
Charged to:						
— income statement	**4,154**	3,369	**190,891**	63,285	**195,045**	66,654
— asset revaluation reserve	**338**	401	**—**	—	**338**	401
At 31 December	**31,729**	27,237	**704,491**	513,600	**736,220**	540,837

33. DEFERRED TAX LIABILITIES *(Continued)*

As at 31 December 2007, the amount of unrecognised deferred tax assets is mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$12,285,000 (2006: HK$21,078,000).

The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

34. SHARE CAPITAL

Company and Group

	2007		2006	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Authorised :				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid :				
At 1 January	**222,657,816**	**22,266**	222,222,113	22,222
Exercise of warrants	**—**	**—**	285,703	29
Exercise of share options	**1,170,000**	**117**	150,000	15
At 31 December	**223,827,816**	**22,383**	222,657,816	22,266

35. RESERVES

Group

	2007	2006
	HK$'000	*HK$'000*
Share premium *(note (a))*	**260,409**	256,548
Asset revaluation reserve	**20,691**	19,101
Other equity reserve — convertible bond *(note 32)*	**94**	94
Employee share-based equity reserve	**13,582**	1,705
Retained profits	**3,312,181**	2,264,521
Exchange reserve	**8,521**	3,071
Special reserve *(note (b))*	**1,848**	1,848
Proposed final dividend *(note 13(a))*	**15,668**	11,139
	3,632,994	2,558,027

Notes:

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

(b) The special reserve of the Group initially represented the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital of the subsidiaries pursuant to the Group's re-organisation in 1997.

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on page 32 to the financial statements.

35. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Other equity reserve HK$'000	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2006	255,763	2,212,886	94	1,589	(1,934,957)	7,788	543,163
Exercise of warrants	534	—	—	—	—	—	534
Exercise of share options *(note 36)*	251	—	—	(44)	—	—	207
Lapse of share options *(note 36)*	—	—	—	(92)	92	—	—
Equity-settled share-based payment *(note 36)*	—	—	—	252	—	—	252
Loss for the year	—	—	—	—	(2,944)	—	(2,944)
Final dividend paid for 2005 *(note 13(b))*	—	—	—	—	—	(7,788)	(7,788)
Proposed final dividend for 2006 *(note 13(a))*	—	(11,139)	—	—	—	11,139	—
At 31 December 2006 and 1 January 2007	256,548	2,201,747	94	1,705	(1,937,809)	11,139	533,424
Exercise of share options *(note 36)*	3,861	—	—	(1,107)	—	—	2,754
Lapse of share options *(note 36)*	—	—	—	(95)	95	—	—
Equity-settled share-based payment *(note 36)*	—	—	—	13,079	—	—	13,079
Loss for the year	—	—	—	—	(15,102)	—	(15,102)
Underprovision for final dividend for 2006	—	(52)	—	—	—	52	—
Final dividend paid for 2006 *(note 13(b))*	—	—	—	—	—	(11,191)	(11,191)
Proposed final dividend for 2007 *(note 13(a))*	—	(15,668)	—	—	—	15,668	—
At 31 December 2007	**260,409**	**2,186,027**	**94**	**13,582**	**(1,952,816)**	**15,668**	**522,964**

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

(b) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Lucky Spark Limited (a subsidiary) and the value of the net underlying assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders under certain circumstances. However, the Company cannot declare or pay a dividend or make a distribution out of contribution surplus if:

(1) it is, or would after the payment be, unable to pay its liabilities as they become due, or

(2) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

36. SHARE-BASED EMPLOYEE COMPENSATION

Share options

The Company operates two share option schemes adopted on 25 February 1997 (the "1997 Share Option Scheme") and 22 July 2002 (the "2002 Share Option Scheme") (collectively the "Schemes") respectively.

The Stock Exchange introduced changes to the provisions of the Chapter 17 of the Listing Rules in relation to share option schemes which took effect on 1 September 2001. In order to comply with the new provisions, the 1997 Share Option Scheme was terminated on 22 July 2002 when the 2002 Share Option Scheme was adopted. Since then, no further share option may be granted under the 1997 Share Option Scheme. However, in respect of the outstanding share options granted under the 1997 Share Option Scheme, the 1997 Share Option Scheme shall remain in force and such outstanding share options shall continue to be subject to the provisions of the 1997 Share Option Scheme and the new provisions of Chapter 17 of the Listing Rules.

The principal terms of the Schemes are set out as follows:

Purpose of the Schemes

The purpose of the Schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the Schemes

1997 Share Option Scheme

Any employee of the Company or its subsidiaries and any executive director of the Company or its subsidiaries.

2002 Share Option Scheme

(i) any executive or non-executive directors of the Group or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group; (iv) Chief Executive (as defined under the Listing Rules) or Substantial Shareholder (as defined under the Listing Rules) of the Company; (v) Associates (as defined under the Listing Rules) of Director, Chief Executive or Substantial Shareholder of the Company; and (vi) employees of the Substantial Shareholder.

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Total number of securities issuable

1997 Share Option Scheme

The 1997 Share Option Scheme has been terminated and no further share options may be granted thereunder.

2002 Share Option Scheme

The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme provided that share options lapsed will not be counted for the purpose of calculating such 10% limit.

Under the 2002 Share Option Scheme, the Company may obtain a fresh approval from its shareholders in general meeting to refresh the above mentioned 10% limit. In such event, the total number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of such approval provided that share options previously granted under the 2002 Share Option Scheme (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limit.

At the annual general meeting of the Company convened on 30 May 2005, the said 10% limit was refreshed to the effect that the limit of number of shares available for issue was increased to 16,486,782 shares.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

As at the date of this annual report, the total number of shares available for issue under the 2002 Share Option Scheme was 6,546,782 representing approximately 2.92% of the Company's shares in issue as at that date.

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Maximum entitlement of each employee/participant

1997 Share Option Scheme

No option may be granted to any one Employee (as defined in the 1997 Share Option Scheme) which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him would exceed 25% of the aggregate number of shares for the time being issued and issuable under the 1997 Share Option Scheme.

2002 Share Option Scheme

Unless separately approved by the shareholders of the Company in general meeting with the particular Participant (as defined in the 2002 Share Option Scheme) and his or her associate (as defined under the Listing Rules) abstaining from voting, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 months period shall not exceed 1% of the total number of shares in issue.

Period to take up share options and minimum period to hold before exercise

Under the Schemes, the period within which the shares must be taken up under a share option and the minimum period, if any, for which a share option must be held before it can be exercised are to be decided by the Directors of the Company upon granting the relevant share options. Details of such information (if any) relating to the outstanding share options are set out below.

Amount payable to take up share options and time to accept offer

Under the Schemes, an offer for the granting of share options under the Schemes shall be accepted within 28 days from the offer date and by way of payment of a consideration of HK$1.00.

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Exercise price

1997 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be the higher of:

(i) a price not less than 80% of the average of the closing prices of the shares quoted in The Stock Exchange for the five trading days immediately preceding the offer date;

(ii) the nominal value of the shares.

2002 Share Option Scheme

The exercise price shall be a price determined by the board of directors of the Company and shall be at least the higher of:

(i) the closing price of the shares quoted in the Stock Exchange on the offer date;

(ii) a price being the average of the closing prices of the shares as quoted in the Stock Exchange for the 5 trading days immediately preceding the offer date;

(iii) the nominal value of the shares.

Life of the Schemes

The Schemes have a life of 10 years from their respective adoption dates.

The 1997 Share Option Scheme lapsed on 24 February 2007. The remaining life of the 2002 Share Option Scheme is 4.25 years from the date of this annual report.

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

As at the balance sheet date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

1997 Share Option Scheme

Name of grantee	Date of grant	Exercise price (HK$)	Exercisable period	Number of options: As at 1 January 2007	Granted during the year	Lapsed during the year	As at 31 December 2007
Directors							
Foo Kam Chu, Grace	2 January 2001	2.97	2 July 2001 to 24 February 2007	76,000	—	(76,000)	—
Chan Wai Ling	2 January 2001	2.97	2 July 2001 to 24 February 2007	60,000	—	(60,000)	—
Tse Chun Kong, Thomas	2 January 2001	2.97	2 July 2001 to 24 February 2007	50,000	—	(50,000)	—
Kwan Chai Ming	1 June 2000	12.40	1 June 2001 to 24 February 2007	20,000	—	(20,000)	—
	2 January 2001	2.97	2 January 2002 to 24 February 2007	10,000	—	(10,000)	—
Other Employees	2 January 2001	2.97	2 July 2001 to 24 February 2007	128,000	—	(128,000)	—
				344,000	—	(344,000)	—

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme

Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	Number of options: As at 1 January 2007	Number of options: Granted during the year	Number of options: Lapsed*/ Exercised during the year	Number of options: As at 31 December 2007	Fair value of option granted *(HK$'000)*
Directors										
Foo Kam Chu, Grace	6 Jul 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	200,000	—	—	200,000	—
	4 Jul 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	200,000	—	—	200,000	—
	21 Nov 2006	2.53	2.52	N/A	20 May 2007 to 19 May 2012	200,000	—	—	200,000	—
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	600,000	—	600,000	1,395
Chan Wai Ling	10 Jul 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	—
	6 Jul 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 Jul 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	—	90,000	—
	21 Nov 2006	2.53	2.52	N/A	20 May 2007 to 19 May 2012	90,000	—	—	90,000	—
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	2,000,000	—	2,000,000	4,648
Tse Chun Kong, Thomas	14 Jul 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	—
	6 Jul 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 Jul 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	—	90,000	—
	21 Nov 2006	2.53	2.52	N/A	20 May 2007 to 19 May 2012	90,000	—	—	90,000	—
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	90,000	—	90,000	209

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme (Continued)

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK$)	Exercise price (HK$)	Weighted average closing price of shares immediately before exercise date (HK$)	Exercisable period	Number of options: As at 1 January 2007	Granted during the year	Lapsed*/ Exercised during the year	As at 31 December 2007	Fair value of option granted (HK$'000)
Kwan Chai Ming	4 Jul 2005	2.35	2.38	3.59	4 January 2006 to 3 January 2011	80,000	—	(80,000)	—	—
	21 Nov 2006	2.53	2.52	4.40	20 May 2007 to 19 May 2012	80,000	—	(80,000)	—	—
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	150,000	—	150,000	349
Meng Qinghui	16 Jul 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	—	—	60,000	—
	6 Jul 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 Jul 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	—	—	90,000	—
	19 Dec 2006	2.69	2.52	N/A	20 May 2007 to 19 May 2012	90,000	—	—	90,000	—
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	90,000	—	90,000	209
Liang Yanfeng	8 Jan 2007	2.60	2.52	N/A	20 May 2007 to 19 May 2012	—	90,000	—	90,000	77
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	90,000	—	90,000	209
Other Employees	6 Jul 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	—	—	90,000	—
	4 Jul 2005	2.35	2.38	3.44 N/A	4 January 2006 to 3 January 2011	620,000	—	(480,000)/ (50,000)*	90,000	—
	21 Nov 2006	2.53	2.52	4.40 N/A	20 May 2007 to 19 May 2012	670,000	—	(530,000)/ (50,000)*	90,000	—
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	—	2,750,000	—	2,750,000	6,392
						3,130,000	5,860,000	(1,270,000)	7,720,000	13,488

36. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme (Continued)

The fair value of the options granted during the year determined at the dates of grant using the Black-Scholes option pricing model were HK$13,488,000 (2006: HK$1,068,000).

Date of grant	8 January 2007	19 July 2007
Closing share price immediately preceding the date of grant	HK$2.60 per share	HK$6.17 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the dates of grant)	70%	66%
Expected life (in years)	1.36 years	2.09 years
Risk-free interest rate	3.676%	3.669%
Expected dividend yield	1.30%	0.81%

The share options vest upon the commencement of the exercisable period and, as at 31 December 2007, the total vested amount of HK$13,079,000 (2006: HK$252,000) was expensed through the income statement.

37. COMMITMENTS

(a) Operating lease commitments

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows :

Group

	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,655**	998
In the second to fifth years inclusive	**1,280**	678
	2,935	1,676

The Group leases a number of properties under operating leases. The leases run for period of two to three years. None of the leases includes contingent rentals.

37. COMMITMENTS *(Continued)*

(b) Capital commitments

Group

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for:		
— Property development	**2,216**	7,155
— Acquisition of properties	**204,474**	68,913
— Capital contribution to subsidiaries in the PRC	**29,800**	67,400
	236,490	143,468

All capital commitments are due for payment in the coming twelve months.

Company

The Company does not have any significant commitments as at 31 December 2007 (2006: Nil).

38. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2007, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows :

	2007	2006
	HK$'000	*HK$'000*
Within one year	**123,566**	98,965
In the second to fifth years inclusive	**55,074**	71,557
	178,640	170,522

The Group leases its investment properties (note 15) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases also require the tenants to pay rental deposits.

39. CONTINGENT LIABILITIES

During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the balance sheet date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$4,998,000 (2006: HK$4,289,000).

40. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$1,787,562,000 (2006: HK$1,302,607,000) with respect to bank loans to its subsidiaries, which are also secured against properties held by those subsidiaries. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that it is not probable that the loan will be in default.

41. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business during the year :

(a) A subsidiary of the Company entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2004 and expiring on 30 April 2007 at the monthly rental of HK$80,000. The lease was renewed for three years from 1 May 2007 to 30 April 2010 at the same monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2007 amounted to HK$960,000 (2006: HK$960,000).

(b) On 27 December 2006, a wholly-owned subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at RMB57,953 for a period of 24 months from 1 January 2007 to 31 December 2008. Total rental and management charges paid for the year amounted to HK$695,000 (2006: HK$513,000).

(c) On 30 April 2005, a related company in which the Chairman and an executive director of the Company have interests, advanced to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum. The purpose of granting this unsecured revolving credit facility is to replace a previous unsecured revolving credit facility with a maximum total principal amount of HK$50,000,000. The final maturity date is on 30 April 2008. Interest on this credit facility for the year ended 31 December 2007 amounted to HK$1,511,000 (2006: HK$6,211,000). As at the balance sheet date, approximately HK$25,629,000 (2006: HK$60,908,000) was utilised (note 31). Subsequent to the balance sheet date, the maturity date of this credit facility has been extended to 30 April 2011 on the same terms.

(d) Interest on convertible bond paid/payable to Ko Bee for the year ended 31 December 2007 amounted to HK$1,078,000 (2006: HK$1,152,000).

41. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Key management personnel compensation

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and other benefits	**11,238**	9,378
Pension costs — defined contribution plan	**118**	108
Equity-settled share-based payment	**11,711**	165
	23,067	9,651

42. RETIREMENT BENEFITS SCHEMES

The Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Scheme, 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 the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payables in future years.

The defined contribution retirement scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable by the Group at the rates specified in the rules of the scheme.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 18% to 23% (2006: 18% to 22%) of the employee payroll to the scheme to fund the retirement benefits to the employees. The Group has no further liability in respect of the retirement benefit of the employees of the PRC subsidiaries.

The details of the retirement benefits scheme contributions for the Directors and employees which have been dealt with in the income statement of the Group for the year, are as follows:

	2007	2006
	HK$'000	HK$'000
Gross scheme contributions	**1,202**	966

43. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

	2007	2006
	HK$'000	*HK$'000*
Net assets/(liabilities) disposed of:		
Debtors, prepayments and deposits	**59**	20
Creditors and accruals	**(16)**	(666)
	43	(646)
(Loss)/Gain on disposal of subsidiaries	**(33)**	624
Consideration	**10**	22
Satisfied by :		
Cash to be received and included in other receivables	**10**	22

44. FINANCIAL INSTRUMENTS

44.1 Financial risk management objectives and policies

The Group is exposed to market risk, specifically to credit risk, liquidity risk, currency risk, and interest rate risk in the normal course of business. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to the market risk.

Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed to are described below. A summary of the Group's financial assets and liabilities by category is disclosed in note 44.2.

(a) Interest rate risk

The Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

44. FINANCIAL INSTRUMENTS *(Continued)*

44.1 Financial risk management objectives and policies *(Continued)*

(a) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments at the balance sheet date:

Group

	Weighted average effective interest rate		Carrying amount	
	2007	2006	**2007**	2006
	%	%	***HK$'000***	*HK$'000*
Variable-rate instruments				
Financial liabilities				
Bank loans, secured	**4.41**	5.30	**(1,841,655)**	(1,297,338)
Other loans	**7.22**	8.92	**(25,629)**	(60,908)
Convertible bond	**4.93**	4.93	**(23,355)**	(23,355)
			(1,890,639)	(1,381,601)
Fixed-rate instruments				
Financial assets				
Bank deposit at escrow account	**2.76**	—	**15,168**	—
Short-term deposits	**3.00**	3.81	**55,998**	60,000
			71,166	60,000

44. FINANCIAL INSTRUMENTS *(Continued)*

44.1 Financial risk management objectives and policies *(Continued)*

(a) Interest rate risk *(Continued)*

Interest rate sensitivity analysis

The sensitivity analysis has been determined by assuming that the change in interest rates had occurred at the balance sheet date and had been applied to variable-rate financial instruments at that date. The 25 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31 December 2006.

At 31 December 2007, it is estimated that a general increase of 25 basis points in interest rates, with all other variables held constant, would decrease the Group's profit after tax and retained profits by approximately HK$4,701,000 (2006: HK$3,382,000). There is no impact on other components of consolidated equity in response to the general increase in interest rates. A decrease of 25 basis points in interest rate would have had the equal but opposite effect.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, bank deposit at escrow account and cash and cash equivalents. The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 27.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

44. FINANCIAL INSTRUMENTS *(Continued)*

44.1 Financial risk management objectives and policies *(Continued)*

(c) Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies hold majority of their financial assets/liabilities in their own functional currencies.

(d) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

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

Group

	As at 31 December 2007					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	20,228	20,228	20,228	—	—	—
Accrued expenses and other payables	9,909	9,909	9,909	—	—	—
Bank loans, secured	1,841,655	2,131,997	551,986	332,870	906,608	340,533
Other loans	25,629	25,629	25,629	—	—	—
Convertible bond	23,355	24,076	24,076	—	—	—
	1,920,776	2,211,839	631,828	332,870	906,608	340,533

44. FINANCIAL INSTRUMENTS *(Continued)*

44.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk *(Continued)*

Group *(Continued)*

	As at 31 December 2006					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	27,183	27,183	27,183	—	—	—
Accrued expenses and other payables	9,309	9,309	9,309	—	—	—
Bank loans, secured	1,297,338	1,580,372	947,966	111,673	168,363	352,370
Other loans	60,908	60,908	60,908	—	—	—
Convertible bond	23,355	25,270	1,149	24,121	—	—
	1,418,093	1,703,042	1,046,515	135,794	168,363	352,370

Company

	As at 31 December 2007			
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but not exceeding 2 years**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Amounts due to subsidiaries	**22,545**	**22,545**	**22,545**	**—**
Trade and other payables	**457**	**457**	**457**	**—**
Convertible bond	**23,355**	**24,076**	**24,076**	**—**
	46,357	**47,078**	**47,078**	**—**

44. FINANCIAL INSTRUMENTS *(Continued)*

44.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk *(Continued)*

Company *(Continued)*

	As at 31 December 2006			
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but not exceeding 2 years *HK$'000*
Amounts due to subsidiaries	11,685	11,685	11,685	—
Trade and other payables	964	964	964	—
Convertible bond	23,355	25,270	1,149	24,121
	36,004	37,919	13,798	24,121

In view of significant cash outflows arising from short-term liabilities and capital commitment (note 37(b)), the directors consider the Group will be able to meet its obligations when they fall due to the following reasons:

(i) the Group has obtained additional loans financing facilities with an aggregate amounts of approximately HK$440 million subsequent to the balance sheet date with repayable terms ranging from six months to two years;

(ii) one of the bankers has confirmed that they are not aware of any circumstances why they would not renew the loans facilities of HK$280 million upon maturity within one year from balance sheet date;

(iii) a related company has extended the maturity date of an unsecured revolving credit facility of HK$100 million from 30 April 2008 to 30 April 2011 (note 41(c));

(iv) a consistent cash inflow is generated by steady rental income; and

(v) with net assets of HK$3,677 million, the Group should be able to secure additional loan facilities, if necessary.

(e) Fair value risk

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of non-current borrowings are presented in note 31 to the financial statements.

44. FINANCIAL INSTRUMENTS *(Continued)*

44.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the balance sheet dates are catergorised as follows. See notes 3.16 and 3.22 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables				
— Trade receivables, net	**63,310**	59,766	**—**	—
— Amounts due from associates	**—**	2,720	**—**	—
— Amount due from a jointly-controlled entity	**23,958**	18,331	**—**	—
— Bank deposit at escrow account	**15,168**	—	**—**	—
— Cash and cash equivalents	**66,052**	88,509	**21**	20
	168,488	169,326	**21**	20
Financial liabilities				
At amortised cost				
— Amounts due to subsidiaries	**—**	—	**(22,545)**	(11,685)
— Trade payables	**(20,228)**	(27,183)	**—**	—
— Accrued expenses and other payables	**(9,909)**	(9,309)	**(457)**	(964)
— Bank loans, secured	**(1,841,655)**	(1,297,338)	**—**	—
— Other loans	**(25,629)**	(60,908)	**—**	—
— Convertible bond	**(23,355)**	(23,355)	**(23,355)**	(23,355)
	(1,920,776)	(1,418,093)	**(46,357)**	(36,004)

45. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital on the basis of debt to equity ratio, which is net debt divided by total capital. Net debt is calculated as the sum of its borrowings, trade and other payables and convertible bond less cash and cash equivalents as shown in the consolidated balance sheet. Total capital is calculated as total equity, as shown in the consolidated balance sheet. The Group aims to maintain the debt to equity ratio at a manageable level.

	2007	2006
	HK$'000	*HK$'000*
Trade and other payables	**86,660**	85,161
Borrowings, secured	**1,867,284**	1,358,246
Convertible bond	**23,355**	23,355
Total debt	**1,977,299**	1,466,762
Less: Cash and cash equivalents	**(66,052)**	(88,509)
Net debt	**1,911,247**	1,378,253
Total equity	**3,677,429**	2,602,542
Net debt to equity ratio	**0.52:1**	0.53:1

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2007 are as follows :

Company name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Champion Fund Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Property investment
Digital World Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property development
Fineway Properties Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Property assembly and trading
Gold Mark Industrial Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Property investment
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property development and property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of building repairs and maintenance services
Goldwell Property Management Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of building management service
Keyland Limited	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Property investment and property development
Morich Properties Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Property assembly and trading
On Step Properties Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Property assembly and trading
Rise Champion Holdings Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property investment, property assembly and trading
Solar Route Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Property investment and property development
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK$1 each	100%	—	Investment holding
Soundwill Real Estate Agency Limited #	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of real estate agency services
Soundwill Real Estate (China) Limited #	British Virgin Island	1 ordinary share of US$1	—	100%	Property development

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ operations	Particulars of nominal vale of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Super Keep Investment Limited #	Hong Kong	9,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$ 1 each	—	100%	Property development
Wealth Sky Properties Limited #	Hong Kong	1 ordinary share of HK$1	—	100%	Property assembly and trading
Wonder Mark Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%	Property investment
Soundwill (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Chongqing) Limited #	Hong Kong	100 ordinary shares HK$1 each	—	100%	Investment holding, property assembly and trading
Soundwill (Fujian) Limited #	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Investment holding
Soundwill (Jilin) Limited #	Hong Kong	99 ordinary shares of HK$1 each 1 non–voting deferred share of HK$1	—	100%	Investment holding
Soundwill (Shaanxi) Limited #	Hong Kong	1,000 ordinary shares of HK$1 each	—	100%	Investment holding
韶關城市管網建設投資管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
柳州城市管網建設管理有限公司*#	PRC	Registered capital of HK$28,280,000**	—	80%	Urban infrastructure development
貴港金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
南昌城市管網建設投資有限公司*#	PRC	Registered capital of HK$30,000,000**	—	80%	Urban infrastructure development
景德鎮城市管網建設投資管理有限公司*#	PRC	Registered capital of HK$8,000,000**^	—	80%	Urban infrastructure development
南平市(金朝陽)城市管道建設投資管理有限公司*#	PRC	Registered capital of HK$25,000,000**	—	80%	Urban infrastructure development
威海市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000	—	80%	Urban infrastructure development
重慶金朝陽城市管網建設管理有限公司*#	PRC	Registered capital of HK$20,000,000**	—	80%	Urban infrastructure development
寶雞市城市管網建設投資有限公司*#	PRC	Registered capital of HK$20,000,000	—	80%	Urban infrastructure development

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ operations	Particulars of nominal vale of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Percentage of interest held by the Company Indirectly	Principal activities
黃岡市城市管網建設投資有限公司*#	PRC	Registered capital of HK$12,500,000**	—	80%	Urban infrastructure development
鄂州金朝陽城市管網建設投資有限公司*#	PRC	Registered capital of HK$12,500,000**	—	80%	Urban infrastructure development
玉溪市城市管道建設有限公司*#	PRC	Registered capital of HK$20,000,000	—	80%	Urban infrastructure development
許昌市市政公用管網投資建設管理有限公司*#	PRC	Registered capital of HK$6,000,000**^^	—	80%	Urban infrastructure development
廣州金朝陽城市管網建設有限公司***#	PRC	Registered capital of RMB10,000,000	—	100%	Urban infrastructure development
山東金朝陽城市管網建設有限公司***#	PRC	Registered capital of RMB10,000,000	—	100%	Urban infrastructure development

Notes:

* These subsidiaries were established as cooperative joint ventures with limited liability.

** Pursuant to the joint venture agreements, the parties from the Mainland China to the agreements are required to contribute certain urban infrastructure development rights as capital contributions to these subsidiaries. As at the balance sheet date, such urban infrastructure development rights had not been injected to the subsidiaries as capital contributions.

*** This subsidiary was established as a foreign wholly-owned limited liability company.

Subsidiaries not audited by Grant Thornton or other Grant Thornton International member firms.

^ This subsidiary reduced registered capital from HK$20,000,000 to HK$8,000,000 on 22 September 2006.

^^ This subsidiary reduced registered capital from HK$20,000,000 to HK$6,000,000 on 7 August 2007.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or assets of the Group.

47. POST BALANCE SHEET EVENT

On 19 March 2008, one wholly-owned subsidiary of the Company entered into a non-binding Memorandum of Understanding to dispose of certain properties situated at Nos. 1-11 Jones Street and Nos. 3-11 Warren Street, Hong Kong (the "Properties") upon fulfillment of certain conditions precedent. The Properties were acquired by the Group at a cost of HK$265,441,000 and disposed of at a consideration of HK$470,000,000. If the transaction is consummated, the expected net gain to the Group will be approximately HK$200,059,000 after taking into account selling and other expenses to be incurred in the sum of approximately HK$4,500,000. The Group intends to apply the sale proceeds as to approximately HK$160,000,000 for repayment of the mortgages on the Properties and the balance for general working capital.

APPENDIX I — MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2007

Location	Approximate gross floor area *(sq.ft.)*	Land use	Lease term
38 Russell Street, Causeway Bay, Hong Kong	243,151	Commercial	Long-term lease
5-29 Tang Lung Street, Causeway Bay, Hong Kong	121,281	Commercial/ Residential	Long-term lease
1-11 Jones Street and 3-11 Warren Street, Tai Hang, Hong Kong	66,765	Residential	Long-term lease
32-50 Haven Street, Causeway Bay, Hong Kong	192,938	Commercial/ Residential	Long-term lease
11-15A Lin Fa Kung Street East, Tai Hang, Hong Kong	21,600	Commercial	Long-term lease
G/F, Kam Fung Commercial Building, Nos. 2–4 Tin Lok Lane, Wanchai, Hong Kong	1,334	Commercial	Long-term lease
17-19 Hing Wan Street, Wanchai, Hong Kong	11,853	Residential	Long-term lease
34 Tang Lung Street, Causeway Bay, Hong Kong	3,748	Commercial/ Residential	Long-term lease

The following is a summary of the consolidated results and of the assets and liabilities of Soundwill Holdings Limited and its subsidiaries for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised HKFRS as appropriate. This summary does not form part of the audited financial statements.

The results for the year ended 31 December 2003 have not been adjusted for the adoption of new HKFRS issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

CONSOLIDATED INCOME STATEMENT

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
Turnover	**464,673**	197,464	162,631	134,378	124,603
Profit before income tax	**1,270,108**	499,150	656,463	39,045	61,977
Income tax expense	**(207,170)**	(76,045)	(107,831)	(13,109)	510
Profit for the year	**1,062,938**	423,105	548,632	25,936	62,487
Profit attributable to the equity holders of the Company	**1,063,285**	422,474	547,423	26,803	61,806
Minority interests	**(347)**	631	1,209	(867)	681
	1,062,938	423,105	548,632	25,936	62,487

CONSOLIDATED BALANCE SHEET

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
Non-current assets	**5,512,874**	4,361,544	3,742,722	3,083,494	2,280,748
Net current assets/(liabilities)	**262,051**	(789,152)	(104,712)	(70,061)	(344,878)
Non-current liabilities	**(2,097,496)**	(969,850)	(1,460,120)	(1,571,179)	(1,003,782)
Minority interests	**(22,052)**	(22,249)	(17,609)	(10,680)	(10,577)
Equity attributable to the equity holders of the Company	**3,655,377**	2,580,293	2,160,281	1,431,574	921,511

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Soundwill Holdings Limited ("the Company") will be held at 3:30 p.m., on Friday, 23 May 2008 at Units 02-03, 10th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2007;

2. To declare a final dividend for the year ended 31 December 2007;

3. To elect directors and to authorise the board of directors of the Company to fix the remuneration of the directors;

4. To re-appoint auditors and to authorise the board of directors of the Company to fix their remuneration; and

5. As special business, to consider and, if thought fit, pass the following ordinary resolutions, with or without modifications:

ORDINARY RESOLUTIONS

A. "THAT:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK$0.10 each in the capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate number of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the number of Shares in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company's Bye-laws to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

B. "THAT:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of Shares or rights to acquire Shares; or (iii) an issue of Shares upon the exercise of subscription or conversion rights under the terms of any existing warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares; or (iv) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the number of Shares in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company's Bye-laws to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of Shares or issue of option, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

C. "**THAT** conditional upon the passing of Ordinary Resolutions Nos. 5A and 5B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company ("Shares") pursuant to Resolution No. 5B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to Resolution No. 5A set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the number of Shares in issue at the date of passing of this Resolution".

D. **"THAT** conditional on The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares of HK$0.10 each in the capital of the Company ("Shares") to be issued pursuant to the exercise of any options (the "Options") which may be granted under the Refreshed Scheme Mandate Limited (as hereinafter defined) of the existing share option scheme of the Company adopted on 22 July 2002 (the "Scheme") or under any other share option schemes of the Company, the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue Shares pursuant to the exercise of any Options up to 10 per cent. of the number of Shares in issue at the date of this Resolution provided that Options previously granted under the Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme) shall not be counted for the purpose of calculating the 10 per cent. limit (the "Refreshed Scheme Mandate Limit")."

By Order of the Board
Kwan Chai Ming
Company Secretary

Hong Kong, 29 April 2008

Head Office and Principal Place of Business:
21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with the Company's principal office in Hong Kong at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjourned meeting.

3. The Register of members of the Company will be closed from Monday, 19 May 2008 to Friday, 23 May 2008 (both days inclusive) for the purpose of determination of entitlement to final dividend, during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 16 May 2008.