



ANNUAL REPORT 2007 年報

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Corporate Information

DIRECTORS

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Kenneth Ng Kwai Kai
(Chief Operating Officer)
Anthony Chuang#
Donald Fan Tung
Jimmy Lo Chun To
Lo Po Man
Ng Siu Chan#
Wong Chi Keung#

Independent Non-Executive Director

AUDIT COMMITTEE

Ng Siu Chan (Chairman)
Anthony Chuang
Wong Chi Keung

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)
Anthony Chuang
Ng Siu Chan
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited
Standard Bank Asia Limited

AUDITORS

Ernst & Young

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,
Pembroke, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Directors' Profile

Mr. Lo Yuk Sui, aged 63; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the ultimate holding company of the Group and designated as Chief Executive Officer in 2007. Mr. Lo has been the Chairman and the Managing Director of the predecessor listed company of the Group since 1985 and 1986 respectively. He is also the chairman and chief executive officer of Paliburg Holdings Limited (“PHL”), the listed subsidiary of the Company, Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed associate of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Kenneth Ng Kwai Kai, aged 53; *Executive Director and Chief Operating Officer* — Appointed to the Board as Executive Director in 1989 and designated as Chief Operating Officer in 2007. Mr. Ng joined the Group in 1985 and is in charge of the company secretarial and corporate finance functions of the Group. Mr. Ng is a Chartered Secretary. He is also an executive director of PHL and RHIHL.

Mr. Anthony Chuang, aged 63; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1993. Mr. Chuang graduated from University of Notre Dame, South Bend, Indiana, U.S.A. and has extensive experience in the commercial field.

Mr. Donald Fan Tung, aged 51; *Executive Director* — Appointed to the Board in 2007. Mr. Fan is a qualified architect and has been with the Group since 1987. He is an executive director and the chief operating officer of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Fan is in charge of the property development, architectural design and project management functions as well as overseeing the building construction business of the Group.

Mr. Jimmy Lo Chun To, aged 34; *Executive Director* — Appointed to the Board in 1999. He is also an executive director of PHL and RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement in the design of the Group’s property projects and the hotel projects of the RHIHL Group, he undertakes responsibilities in the business development function of the Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 28; *Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of PHL and RHIHL. She joined the RHIHL Group in 2000 and has been involved in the marketing and sales functions of the RHIHL Group. Miss Lo is an executive director of the estate agency business of the RHIHL Group and has undertaken an active role in directing the marketing campaign of the Regalia Bay luxury residential development in Stanley, Hong Kong. Besides, she also undertakes responsibilities in the business development function of the RHIHL Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Ng Siu Chan, aged 77; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1994. Mr. Ng is also an independent non-executive director of PHL and RHIHL. He is a director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Mr. Wong Chi Keung, aged 53; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of PHL and RHIHL. He holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Chairman's Report



Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2007.

FINANCIAL RESULTS

For the year ended 31st December, 2007, the Group recorded a consolidated profit attributable to shareholders of HK\$758.6 million, as compared with the comparative amount of HK\$106.8 million attained in the previous year.

The substantial increase in the profit achieved in the year under review was mainly attributable to the profit contribution from Regal Hotels International Holdings Limited, the listed associate of the Group, which has increased significantly due to the gain derived by Regal from the spin-off of Regal Real Estate Investment Trust implemented in March 2007.

As at 31st December, 2007, the Group owned approximately 52.3% interest in Paliburg Holdings Limited and Paliburg held approximately 45.2% shareholding interest in Regal. Regal REIT was, in turn, equity-accounted for by the Regal group as a 71.7% owned associate. Due to the elimination of the unrealised gain attributable to the interest retained by the Regal group in Regal REIT, the interest held in Regal REIT was only stated in the 2007 financial statements of Regal at a net sum of HK\$788.9 million. The interest in Regal REIT represents the most significant investment held by the Regal group and if it were to be valued based on the attributable share of the underlying net assets of Regal REIT as at 31st December, 2007, the interest held by Regal in Regal REIT would have instead been stated at HK\$7,815.2 million.

In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to reflect the share of net assets as attributable to the 71.7% interest held by Regal in Regal REIT as mentioned above, is provided in the section headed "Management Discussion and Analysis" in the Report of the Directors.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.1 cent per ordinary share for the year ended 31st December, 2007 (2006 – HK0.07 cent), absorbing an amount of approximately HK\$22.3 million (2006 – HK\$12.6 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 5th June, 2008. Together with the interim dividend of HK0.05 cent per ordinary share paid in October 2007 (2006 – HK0.03 cent), total dividends per ordinary share for the year ended 31st December, 2007 will amount to HK0.15 cent (2006 – HK0.1 cent), representing an increase of 50% over the total dividends paid for the 2006 financial year.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Monday, 2nd June, 2008 to Thursday, 5th June, 2008, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2011 warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Friday, 30th May, 2008. The relevant dividend warrants are expected to be despatched on or about 30th June, 2008.

REVIEW OF OPERATIONS

In June 2007, the Company completed a placing and top-up subscription of 1,600 million new ordinary shares of the Company at a placing price of HK0.325 per share, raising equity proceeds of approximately HK\$520 million. Together with the subscription proceeds of HK\$160 million received from the subscription of the convertible bonds which had since been converted in full into ordinary shares during the year, total new equity funds raised by the Group in 2007 amounted to approximately HK\$680 million.

While the core investments in Paliburg, and indirectly in Regal and the Regal REIT, are generating good solid returns, the Group has planned to diversify into other business fields with long-term growth potentials. Working towards this objective, the Group has been reviewing from time to time many new potential projects and business proposals.

During the year under review, the Group placed significant efforts and management resources in seeking to invest in the energy and natural resources sector and, as previously reported, has been actively working on the mining project in Mongolia.

Pursuant to a conditional acquisition agreement entered into with certain independent third party vendors, the Group conditionally agreed to purchase a total of 51.8% direct or indirect interest in Chain Bright LLC, a company incorporated in Mongolia with limited liability, at a total consideration of HK\$100 million. Chain Bright was the registered holder of an exploration licence to conduct exploration for minerals in an Exploration Area located in the eastern part of Mongolia and has obtained mining licences for the mining of coal and uranium within certain parts of the Exploration Area.

In January 2008, the Group received a preliminary report prepared by an international consulting firm with mining expertise which was commissioned to assist the Group in the assessment of the mining prospects in the Exploration Area. According to the report, the Exploration Area has probable uranium occurrences based on the geographical location and the consulting firm recommends that further detailed exploration and investigative works be conducted to ascertain the prospects of the mineral reserves.

As announced on 21st January, 2008, the Group entered into a supplemental agreement with the vendors principally to further extend the long-stop date for the satisfaction of the conditions precedent under the acquisition agreement to 31st December, 2008. The Group will continue to conduct further investigation and due diligence on Chain Bright, the exploitable reserves of mineral resources in the Exploration Area as well as other relevant aspects which the Group may consider to be necessary. Shareholders will be kept informed of the progress in due course.

The financial results and operating performance of Paliburg and Regal during the year under review are set out below.

PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2007, Paliburg recorded a consolidated profit attributable to shareholders of HK\$1,413.8 million, as compared with the comparative amount of HK\$300.1 million attained in the previous year.

The Paliburg group has during the year under review disposed of some of its non-core assets, including the 10 retained duplex units and unsold car parks in the completed residential development at Rainbow Lodge, 9 Ping Shan Lane, Yuen Long for a consideration of HK\$70 million in March 2007 and the interests in the various parcels of land in Sharp Island, Sai Kung for a consideration of HK\$50 million in June 2007.

To further enlarge the capital base of Paliburg and to provide additional equity funds for the Paliburg group's business operations, Paliburg announced in September 2007 a proposal for the open offer of new shares. The open offer was extended to the shareholders of Paliburg on the basis of 7 open offer shares (with 3 warrants for every 7 open offer shares taken up) for 20 existing shares then held at a subscription price of HK\$0.21 per share.

The open offer was not underwritten but it was very well received by the shareholders of Paliburg. Valid applications for assured allotments accounted for more than 95% of the shares available under the open offer and valid excess applications received represented approximately 23.8 times of the open offer shares available for excess applications. The open offer was duly completed in November 2007 and total net proceeds of approximately HK\$552.8 million were raised.

The Group duly subscribed for its entitlement under the open offer and made applications for excess shares. The Group was allotted a total of 1,387.5 million shares under the open offer, involving total subscription monies in the amount of HK\$291.4 million. Immediately following the completion of the open offer, the Group held 51.1% of the issued shares of Paliburg and 52.5% of the then outstanding warrants of Paliburg which are due in 2010 and carry rights to subscribe for new shares of Paliburg at an exercise price of HK\$0.21 per share (subject to adjustment).

PROPERTIES

HONG KONG

Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East

This development project, in which the Paliburg group has a 30% interest, entails primarily residential accommodation comprising luxury apartments together with ancillary retail areas having total gross floor area of about 913,000 square feet, and complemented with recreational and car parking facilities. The piling works on the site are in progress.

The recently announced extension of the MTR South Island Line has further stimulated the demand for properties in this locality, while the supply of luxury residential apartments in this part of Hong Kong is still relatively limited. The Paliburg group has high expectation on this joint venture project and is optimistic that significant profits will be derived.

211 Johnston Road, Wanchai

The ground floor shops and all the office floors in this commercial building, with aggregate gross area of about 63,000 square feet, are being retained as investment properties. All the ground floor shops have been leased and the units in the office floors are in good demand, yielding increasing rental income on tenancy reversions and renewals.

THE PEOPLE'S REPUBLIC OF CHINA

Development Project in the Central Business District of Beijing

This development project is held through a Sino-foreign joint venture entity that is 59% owned by an associate which, in turn, is 50% each held by the Paliburg group and the Regal group. The Sino-foreign joint venture entity has obtained in May 2007 the Land Use Right Certificates for the Phase I land site and is continuing to work on securing the development rights over the Phase II land site comprised within the development project. As compared with the carrying costs of the interests held in this joint development project, the present land value of this very prominent site in the CBD of Beijing has appreciated significantly.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

Construction Business

Chatwin Engineering Limited, the Paliburg group's construction arm, has operated profitably during the year. Chatwin is presently undertaking the construction contract for the Redevelopment of Sau Mau Ping Estate Phases 13 & 16 awarded by the Housing Authority. Furthermore, Chatwin has also been engaged in most of the construction works for the asset enhancement programme at the Regal Hotels in Hong Kong, including the addition of new floor areas and a new swimming pool on the top portion of the Regal Hongkong Hotel recently completed and the construction of three additional stories on top of the Regal Riverside Hotel which is presently in progress.

Building Related Businesses

The Paliburg group operates a comprehensive range of building related businesses, including development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management systems and services operated through the Leading Technology group. These business operations have overall contributed increased profits during the year.

OTHER INVESTMENTS

Part of the consideration the sale of the properties in Rainbow Lodge to Cosmopolitan International Holdings Limited, a listed company in Hong Kong, the Paliburg group is holding certain convertible bonds due 2009 in a principal amount of HK\$56 million issued by the Cosmopolitan group. These convertible bonds are convertible into 800 million new ordinary shares of Cosmopolitan at a conversion price of HK\$0.07 per share (subject to adjustments). As part of the overall transactions associated with the sale of the Rainbow Lodge properties, the Paliburg group granted to Cosmopolitan certain placement rights over these convertible bonds, which were exercisable during the one year period to 2nd March, 2008, with Cosmopolitan sharing 70% of any profits arising from the sale of such convertible bonds. The Paliburg group has recently agreed with Cosmopolitan to extend the exercise period of the placement rights for a further period of 6 months to 2nd September, 2008, which is considered by the Paliburg group to be of mutual benefits to both parties.

In July 2007, the Paliburg group completed a share swap transaction with an independent third party, pursuant to which the Paliburg group acquired from that third party 180 million existing issued shares of Cosmopolitan for a consideration of HK\$126 million, in exchange for Paliburg issuing 336 million new ordinary shares, which was equivalent to an issue price of HK\$0.375 per share.

On 6th December, 2007, the Paliburg group entered into a subscription agreement with the Cosmopolitan group pursuant to which the Cosmopolitan group has agreed to issue to the Paliburg group zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK\$100 million and to grant an option to the Paliburg group to subscribe for additional convertible bonds in a further principal amount of HK\$100 million. Following fulfillment of the requisite conditions, the subscription agreement was duly completed in February 2008. These convertible bonds due 2013 are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.6 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

Apart from its joint venture with the Regal group with respect to a development project in Xindu District in Chengdu, Cosmopolitan group is itself working on a number of major development projects in different parts of the PRC. The Paliburg group is optimistic on the PRC property related businesses in which the Cosmopolitan group is involved and considers that the subscription of the convertible bonds due 2013 issued by the Cosmopolitan group will provide the Paliburg group with an opportunity to further share in the prospects of the PRC property market as well as in the growth potentials of the Cosmopolitan group.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

It has always been the intention of Paliburg to maintain a strategic controlling interest in Regal, which is one of the Paliburg group's most significant investments. In April 2007, the Paliburg group acquired from independent third parties certain convertible bonds issued by the Regal group for a total consideration of HK\$360 million, in order to hedge against potential dilution in the Paliburg group's shareholding interest in Regal that might arise from the conversions of convertible securities issued by the Regal group. Part of the consideration for HK\$300 million was settled by way of promissory notes issued by the Paliburg group, which have been fully repaid in November 2007 with the proceeds received from the open offer.

Most of the convertible securities issued by the Regal group, including those held by the Paliburg group, have been converted during the year and as at 31st December, 2007, the Paliburg group held approximately 45.2% shareholding interest in the issued share capital of Regal.

For the year ended 31st December, 2007, Regal achieved a consolidated profit attributable to shareholders of HK\$2,957.3 million, as compared with HK\$331.3 million attained in 2006. The profit achieved in the year under review included a gain of HK\$2,293.5 million derived from the sale of the five Regal Hotels in Hong Kong to Regal REIT, as attributable to the 29.5% interest in Regal REIT effectively disposed of by the Regal group pursuant to the initial public offering of Regal REIT implemented in March 2007.

Having regard to the significantly higher underlying value of Regal's ordinary shares as compared with the market traded price, Regal has since August 2007 repurchased an aggregate of 296.8 million ordinary shares pursuant to the repurchase mandate granted to its directors. Such repurchases have the effect of enhancing the underlying net asset value of the outstanding issued shares of Regal and would benefit the shareholders of Regal as a whole.

HOTELS

Hong Kong

Following the separate listing of Regal REIT, the five Regal Hotels in Hong Kong are now directly owned by Regal REIT, while the Regal group continues to be the operator and manager of these hotel properties under the lease arrangements and hotel management agreements with Regal REIT.

For the first period of the lease term commencing from the listing date on 30th March, 2007 to 31st December, 2007, the aggregate base rent for the five hotels was HK\$475.9 million, as prorated from the agreed aggregate base rent of HK\$630 million for the whole year of 2007, and 100% of the net property income in excess of the aggregate base rent was accounted to Regal REIT in the form of variable rent. The aggregate base rent for 2008 will be increased to HK\$700 million but the variable rent will be reduced to 70% of the collective net property income excess.

In 2007, Hong Kong received a new record high number of over 28 million visitors, which was an increase of about 11.6% over that in 2006. Overall business for the hotel sector in Hong Kong remained strong. While the average room occupancy for all the hotels in different categories surveyed by the Hong Kong Tourism Board has marginally decreased by one percentage point from that in 2006 to 86%, primarily because of the increased supply of new hotel rooms, the average achieved room rate has managed to grow by about 11.4%.

During the year under review, the five Regal Hotels in Hong Kong continued to perform well and, compared on a year on year basis, the combined average occupancy and the combined average room rate have improved by about 4.7% and 10.1% respectively, resulting in a growth in the Revenue Per Available Room (RevPAR) of over 15%. To enhance the Regal brand name and customer affiliation, the Regal group has also incurred additional expenditure during the year on the launching of an extensive marketing and promotional programme, targeting on the international tourism trade as well as local clientele.

The People's Republic of China

The Regal group adopts a multi-directional approach in the expansion of its hotel businesses in the PRC which, depending on individual circumstances and requirements, can be undertaken in the form of management services, management contracts with equity participation, acquisition of hotel and hospitality-related properties as well as development of new hotel projects, either on its own or through joint ventures.

On the hotel management front, the Regal group is presently managing two hotels in Shanghai, which are operating satisfactorily. Earlier this year, the Regal group entered into a letter of intent with Shanghai Jinfeng Investment Co. Ltd. for the provision of hotel management services, including pre-opening consultancy and pre-opening services, to a 400-room four star business hotel in Pudong, Shanghai, to be named as Regal Jinfeng Hotel and scheduled to start operation in the latter part of this year.

More recently, the Regal group entered into a memorandum of understanding with Nanjing based Jinling Hotels & Resorts for the formation of a strategic alliance between the two hotel groups. Jinling is one of the leading hotel management groups in the PRC and is managing 64 hotels in various cities in China. The strategic partnership will cover different facets of the hotel operations and is intended to create a platform for close co-operation between the two groups in the development of their respective hotel businesses.

REGAL REAL ESTATE INVESTMENT TRUST

For the period from 11th December, 2006 (the date of establishment of Regal REIT) to 31st December, 2007, Regal REIT achieved a consolidated net profit before distributions to its unitholders of HK\$2,850.2 million. This included a gain of HK\$2,044.4 million which originated from its acquisition of the five Regal Hotels in Hong Kong from the Regal group at a discount to their appraised values and a gain of HK\$591.8 million arising from the change in the fair value of these five hotels being held by Regal REIT as investment properties.

Total Distributable Income for the period from the date of listing of Regal REIT on 30th March to 31st December, 2007, as adjusted for mainly the non-cash items included in the profit achieved, amounted to HK\$421.5 million, which slightly exceeds the forecast amount as contained in the profit forecast in Regal REIT's Offering Circular.

Over the past year, management of Regal REIT has been actively reviewing numerous hotel investment proposals in Mainland China. However, faced with challenges arising from keen competition from other potential investors and the high expectations on property prices among most sellers, driven by the Olympic fervour, the Regal REIT has taken a prudent view and remained disciplined with the set investment criteria.

The primary strategy of Regal REIT is to maintain and grow a strong and balanced investment portfolio of hotel and hospitality-related properties, and its objective is to achieve stable and long-term growth in the distributions and the net asset value of the REIT Units through a combination of pro-active asset management and selective acquisitions of additional properties.

PROPERTIES

HONG KONG

Regalia Bay, Stanley

In late November last year, the Regal group entered into a supplemental shareholders' agreement with China Overseas Land & Investment Ltd., the joint venture partner in this development project, primarily to allocate the unsold house units remaining held within the joint venture development company between the two shareholders. Pursuant to this supplemental agreement, the Regal group was allocated 35 houses with a total gross area of about 162,200 square feet.

Prior to the year end date, the Regal group has disposed of 4 allocated houses at satisfactory prices. Due to the limited supply, the price levels of luxury residential properties, particularly those on the Hong Kong Island, are expected to remain strong. The Regal group will continue to dispose of the remaining allocated houses if the prices offered are attractive but may also in the meantime consider retaining some of the houses for long term rental purposes.

THE PEOPLE'S REPUBLIC OF CHINA

Development Project in the Central Business District of Beijing

As referred to above, the Regal group is a 50% joint venture partner of the Paliburg group with respect to the investment in this development project held through the Sino-foreign joint venture entity in the PRC.

Development Project in Xindu District, Chengdu, Sichuan Province

On 31st October, 2007, the Regal group successfully acquired at a public land auction a prime development site in Chengdu, the provincial capital of Sichuan Province, at a land transfer consideration of RMB213.1 million. The site is prominently located along two major roadways in Xindu District with a total construction site area of about 111,868 square meters, planned for hotel and residential use.

On 14th November, 2007, the Regal group entered into a conditional agreement with the Cosmopolitan group for the formation of a joint venture for the development of this site, in which the Regal group and the Cosmopolitan group will each hold a 50% interest. The joint venture has been formally established in February 2008 after the conditions were fulfilled.

This development is presently planned to compose of a five star hotel together with related commercial areas with a total gross floor area of about 185,000 square meters and residential accommodation with a total gross floor area of about 315,000 square meters. The construction works are expected to commence later this year and the project is targeted to be completed in stages from late 2009.

Development Project in Gaoxin District, Cheugdu, Sichuan Province

On 24th November, 2007, a wholly owned subsidiary of Regal entered into an agreement with an independent third party for the proposed establishment of a Sino-foreign equity joint venture company to jointly develop a site, located in South Gaoxin District of Chengdu, planned for hotel and commercial use. The formation of this proposed joint venture was subject to the obtaining of all necessary approvals and the completion of all necessary filing and registration procedures.

As of this date, certain of the relevant approvals and registration procedures are yet to be completed and some detailed terms and arrangements pertaining to the proposed joint venture are still to be finalised.

OTHER INVESTMENTS

The Regal group was a co-investor with the Paliburg group on same terms for the subscription of convertible bonds proposed to be issued by the Cosmopolitan group pursuant to the agreement entered into in December 2007. Accordingly, in February 2008, the Regal group subscribed for zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK\$100 million issued by the Cosmopolitan group and was also granted an option to subscribe for additional convertible bonds in a further principal amount of HK\$100 million.

Prior to the subscription of these additional convertible bonds, the Regal group already held certain convertible bonds due 2010 issued by the Cosmopolitan group in a principal amount of HK\$102.5 million, which are convertible into 500 million new ordinary shares of Cosmopolitan at a conversion price of HK\$0.205 per share (subject to adjustments).

OUTLOOK

Regal group

The expanding international tourism and the continuing growth in the overall economy and affluence in Mainland China will continue to be the main drivers of the tourist business in Hong Kong and the outlook on this business sector in 2008 is very positive.

The Hong Kong Government has recently announced various tourism related proposals with a view to strengthening the competitiveness of the local tourism and hotel sector, including the removal of the hotel accommodation tax, the exemption of the duties on wine and the plan to include land sites in the application list for government land auctions that will be restricted to hotel use. Furthermore, the Government has lately started the process to select the developer for the new cruise terminal in East Kowloon and, more importantly, has also made the commitment to proceed with the Hong Kong-Zhuhai-Macao Bridge project. The construction of this new bridge will promote closer ties and co-operation among the three areas and will also help fostering the formation of a large economic region that provides new business and expansion opportunities for all concerned.

Amid some intense competition, Hong Kong has won the Best MICE (Meeting, Incentive, Convention and Exhibition) City Award in the 2008 Industry Awards organised by CEI Asia Pacific Magazine. Hong Kong has the appropriate infrastructure and resources to further develop as a prime city for conference and exhibition, and the Hong Kong Government is also allocating additional resources to further promote the development of the MICE industry. The Regal group has over the past few years taken steps to enhance the facilities and services at the five Regal Hotels in Hong Kong to capture this growing high yield market.

In the first two months of 2008, business operations at the five Regal Hotels in Hong Kong have been encouraging, with RevPAR and Gross Operating Profits both enjoying healthy growth over the comparable period in 2007. Being the year of the Beijing Olympics and with Hong Kong hosting the Olympic equestrian events, the five Regal Hotels in Hong Kong on the whole are expected to yield better results in 2008 than those attained in the year under review.

The Regal group is confident of the prospects of the hotel industry in Hong Kong in the long term and is actively reviewing the list of potential hotel sites that are planned to be made available to the market for auction by the Hong Kong Government in the near future.

The outlook on the hotel and property businesses in Mainland China is also optimistic. Although it is expected that there could be short term market fluctuations and volatilities in view of the tightening measures on the bank lending policies imposed by the Central Government, such challenging environment would present potential acquisition opportunities. The Regal group is a developer and long-term investor and selects property projects and assets based on their long term profit potentials. In fact, over the past year, the Regal group has been actively and seriously reviewing numerous hotel properties and potential projects and it is hopeful that further acquisitions beneficial to its long term growth will be successfully concluded from time to time in the coming years.

In this respect and specifically as concerning the current hotel expansion plans in Mainland China, the Regal group is targeting principally on hotels ranging between 4 to 5 stars in 1st tier gateway and 2nd tier cities. The Regal group aims to increase, over a 5 years' time span, the number of hotels to be managed and/or owned by the Regal group in the PRC to more than 20, and it is expected that some of the hotels will be owned by Regal REIT. In the meantime, plans are also being formulated to establish a separate mid-market line for hotels ranging between 3 to 4 stars to be operated in the region.

The Regal group is in a strong financial position and the progressive disposal of the remaining allocated houses in Regalia Bay at increasing prices will contribute further significant profits and cash proceeds. Having regard to the sub-prime loan crisis in the United States, the directors of Regal have taken the cautious view to conserve cash when considering dividend distributions and have also adopted a prudent approach in the course of pursuing the expansion plans under the present challenging environment.

Overall, the directors of Regal are very optimistic of the continuing growth and prosperity of the Regal group in the years to come.

Paliburg group

The adverse impact of the sub-prime loan crisis is rippling across the financial and capital markets in different parts of the world, causing uncertainties over the global economic outlook. While the Paliburg group remains optimistic of the sustaining economic growth in Hong Kong and the PRC, it is expected that market environments could be volatile from time to time. The Paliburg group is closely watching on any appropriate acquisition opportunities that may become available to replenish its property portfolio but will continue to adopt a prudent approach when making new acquisitions.

The directors of Paliburg believe that, with the strengthened capital and asset base, the Paliburg group will be able to move forward successfully with its business expansion plans, thereby enhancing long-term value for its shareholders.

Century City Group

The Group is actively working to diversify its investment and business portfolio, both in the energy and natural resources as well as other business sectors that have good growth potentials. The Group will continue to invest further resources to achieve this set business objective and is confident that the diversification process will significantly benefit the Group and the shareholders in the long term.

The Group will continue to adopt a prudent approach, particularly as the overall international business environment has been seriously affected by the sub-prime loan crisis. However, the tightening of the credit market in the global scene may on the other hand make available more opportunities to the Group for its planned business expansions, particularly that each of the listed members within the Group has over the past year successfully built up a strong financial and cash position.

DIRECTORS AND STAFF

Finally, I would like to take this opportunity to express my personal thanks to all management and staff members for their persistent efforts during the past year as well as to my fellow Directors for their continual support.

LO YUK SUI

Chairman

Hong Kong
27th March, 2008

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, construction and building related businesses, and other investments. Until 30th March, 2007, Regal Hotels International Holdings Limited (“RHIHL”), the listed associate of the Company, and its subsidiaries (together, the “RHIHL Group”) were previously engaged in the business activities of hotel ownership and management, property development and investments, and other investments. Following the spin-off of Regal Real Estate Investment Trust (“Regal REIT”) on 30th March, 2007, the RHIHL Group are engaged in the business activities of hotel operation and management, investment in Regal REIT (which directly owns the five Regal Hotels in Hong Kong after the spin-off), asset management of Regal REIT, property development and investment, and other investments.

Save as disclosed above, there have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 141 to 230.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group’s significant investments during the year principally constitute its interest in RHIHL which was held through Paliburg Holdings Limited (“PHL”), the listed subsidiary of the Company. The operating results of PHL and its subsidiaries (the “PHL Group”) during the year and its business prospects are contained in the Chairman’s Report which precedes this report. The significant investments of RHIHL following the spin-off of Regal REIT comprised its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT, the asset management of Regal REIT, the interest in the Regalia Bay development and other investment businesses. The performance of the RHIHL Group and its hotel operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance, the progress and prospects on the Regalia Bay development as well as the performance of Regal REIT are also contained in the Chairman’s Report.

Cash Flow and Capital Structure

Net cash outflow from operating activities during the year under review amounted to HK\$121.6 million (2006 - inflow of HK\$14.8 million). Net interest receipt for the year amounted to HK\$1.0 million (2006 - net interest payment of HK\$9.0 million).

During the year under review, a total of 250.0 million new ordinary shares of the Company were allotted and issued to the holders of the 2011 Warrants of the Company who exercised the subscription rights in an aggregate amount of HK\$25.0 million attaching to the 2011 Warrants at the subscription price of HK\$0.10 per ordinary share. As at the date of this report, a total of 251.2 million new ordinary shares of the Company have been allotted and issued upon exercise of the 2011 Warrants, and the aggregate amount of the 2011 Warrants remaining outstanding was HK\$303.2 million exercisable into 3,032.1 million new ordinary shares of the Company at the prevailing subscription price of HK\$0.10 per ordinary share (subject to adjustment).

Further, during the year under review, a total of 741,670,643 new ordinary shares of the Company were allotted and issued by the Company upon the conversion of 741,670,643 Series C convertible non-voting preference shares of HK\$0.10 each of the Company ("Series C Shares") on the basis of one new ordinary share for every Series C Share so converted (subject to adjustments). Up to the date of this report, a total of 883,055,981 new ordinary shares were allotted and issued by the Company upon the conversion of 883,055,981 Series C Shares. As of the date of this report, there are outstanding 1,624,726,628 Series C Shares in issue, convertible into a total of 1,624,726,628 new ordinary shares in stages up to and until 15th December, 2009.

As previously reported in the interim report of the Company for the six months ended 30th June, 2007 ("2007 Interim Report"), during the year under review:

- (i) The optional bonds in an aggregate principal amount of HK\$160.0 million ("Optional Bonds") in respect of the zero coupon guaranteed convertible bonds due 2010 guaranteed by, and convertible into ordinary shares of, the Company in an aggregate principal amount of HK\$240.0 million (comprising HK\$80.0 million firm bonds ("Firm Bonds") and HK\$160.0 million Optional Bonds) issued by Supreme Way Limited, a wholly owned subsidiary of the Company, were fully subscribed and issued. A total of 2,350.0 million new ordinary shares of the Company were allotted and issued during the year upon conversion of all of the outstanding issued Firm Bonds in an aggregate principal amount of HK\$75.0 million and the issued Optional Bonds, based on the conversion price of HK\$0.10 per ordinary share. As 31st December, 2007, there are no outstanding Firm Bonds and Optional Bonds in issue.
- (ii) 1,600 million new ordinary shares of the Company were allotted and issued by the Company to Grand Modern Investments Limited ("Grand Modern"), a substantial shareholder of the Company controlled by Mr. Lo Yuk Sui (the Chairman and controlling shareholder of the Company), at HK\$0.325 per ordinary share following a placement by Grand Modern of 1,600 million issued ordinary shares of the Company at HK\$0.325 per ordinary share. Net cash inflow to the Company from the above new share issue amounted to approximately HK\$500 million, which was intended to be used for funding the proposed investments in the Mongolian mining projects and for general working capital purposes. Further details relating to the new share issue are set out in the section headed "Issue of New Ordinary Shares under the 20% General Mandate" below.

Assets Value

In order to more fairly reflect the Group's underlying net asset value, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis that the Group's interest in RHIHL is adjusted to reflect its attributable share of RHIHL's proforma net assets as adjusted for RHIHL's interest in Regal REIT to reflect the share of the underlying net assets attributable to RHIHL based on Regal REIT's reported net assets attributable to its unitholders as at 31st December, 2007:

Statement of Proforma Net Assets

	31st December, 2007 (Unaudited) HK\$'million
Non-current assets	
Interests in RHIHL	5,564.8
Interests in other associates	613.6
Other non-current assets	933.4
	<hr/>
Total non-current assets	7,111.8
Net current assets	366.9
	<hr/>
Total assets less current liabilities	7,478.7
Non-current liabilities	(61.0)
Minority interests	(3,317.5)
	<hr/>
Proforma net assets attributable to equity holders of the parent	4,100.2
	<hr/> <hr/>
Proforma net asset value per ordinary share	HK\$0.18
	<hr/> <hr/>

Borrowings

As at 31st December, 2007, the Group had cash and bank balances net of borrowings of HK\$267.0 million (2006 – net borrowings of HK\$275.5 million, representing a gearing ratio of 6.6% based on total assets of HK\$4,171.1 million).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 39 and 40, respectively, to the financial statements.

Details of the maturity profile of the borrowings of the Group are set out in note 30 to the financial statements.

Material Acquisitions or Disposals of Subsidiaries or Associates

As previously disclosed in the 2007 Interim Report, in March 2007, the PHL Group completed the sale and purchase agreement for the sale of the entire equity interests held by the PHL Group in a wholly-owned subsidiary that beneficially owns certain properties at Rainbow Lodge in Yuen Long, New Territories. Further in June 2007, the PHL Group completed another agreement for the disposal of its entire equity interest in a wholly-owned subsidiary indirectly holding land lots held for future development located at Sharp Island, Sai Kung, New Territories.

Save as otherwise disclosed in the Chairman's Report, the Group has no immediate plan for material investments or capital assets.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

During the year under review, as the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed.

Remuneration Policy

The Group, together with the RHHL group, employ approximately 2,080 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company and PHL maintain new share option schemes named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme") and "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"), respectively, under which share options have been granted to selected eligible persons.

ISSUE OF NEW ORDINARY SHARES UNDER THE 20% GENERAL MANDATE

As previously disclosed in the 2007 Interim Report, pursuant to a conditional subscription agreement dated 22nd May, 2007 made between the Company and Grand Modern (the "Top-up Subscription Agreement"), Grand Modern subscribed for 1,600 million new ordinary shares of the Company (the "Top-up Shares") of HK\$0.01 each in the share capital of the Company ("Shares"), being the same number of Shares as that finally sold by Grand Modern at the placing price of HK\$0.325 per Share under the placing agreement dated 22nd May, 2007 made between UOB Kay Hian (Hong Kong) Limited as the placing agent (the "Placing Agent"), Grand Modern and the Company, in cash at a subscription price of HK\$0.325 per Share (the "Top-up Price") (the "Top-up Subscription"). The Top-up Price represented (i) a discount of approximately 7.1% to the closing price of HK\$0.350 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21st May, 2007, being the last trading day of the Shares immediately prior to the date of the Top-up Subscription Agreement; and (ii) a discount of approximately 4.7% to the average closing price of HK\$0.341 per Share as quoted on the Stock Exchange from 15th May, 2007 to 21st May, 2007, being the last five consecutive trading days of the Shares immediately prior to the date of the Top-up Subscription Agreement.

Completion of the Top-up Subscription Agreement was conditional upon, inter alia, the placing of 1,600 million existing issued Shares held by Grand Modern through the Placing Agent to independent investors, which was completed on 28th May, 2007. On 4th June, 2007, the Top-up Shares were allotted and issued to Grand Modern. The Top-up Shares were issued under the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 16th June, 2006, ranking pari passu in all respects with the then existing issued Shares.

The Top-up Subscription was intended to raise funds for the Company for the proposed investments in the Mongolian mining projects and general working capital purposes while broadening the Company's shareholder and capital base. Net proceeds of approximately HK\$500 million were raised under the Top-up Subscription.

Details of the placing of 1,600 million existing Shares and the Top-up Subscription were disclosed in an announcement of the Company dated 22nd May, 2007.

DIVIDENDS

An interim dividend of HK0.05 cent per ordinary share (2006 – HK0.03 cent), absorbing an amount of approximately HK\$10.7 million (2006 – HK\$4.9 million), was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK0.1 cent per ordinary share for the year ended 31st December, 2007 (2006 – HK0.07 cent), absorbing an amount of approximately HK\$22.3 million (2006 – HK\$12.6 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 5th June, 2008. This recommendation has been incorporated in the financial statements.

According to the terms of the convertible preference shares of the Company, the holders of the convertible preference shares are not entitled to any right of participation in the profits of the Company.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Monday, 2nd June, 2008 to Thursday, 5th June, 2008, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2011 Warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Friday, 30th May, 2008. The relevant dividend warrants are expected to be despatched on or about 30th June, 2008.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Kenneth Ng Kwai Kai
Mr. Anthony Chuang
Mr. Donald Fan Tung
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Ng Siu Chan
Mr. Wong Chi Keung

During the year under review, on 11th January, 2007, Mrs. Kitty Lo Lee Kit Tai resigned as a Non-Executive Director, and Mr. Donald Fan Tung and Miss Lo Po Man were both appointed as Executive Directors.

In accordance with Bye-law 109(A) of the Bye-laws of the Company and for compliance with the Code on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Lo Yuk Sui, the Chairman and Chief Executive Officer, Mr. Jimmy Lo Chun To, an Executive Director, and Mr. Wong Chi Keung, an Independent Non-Executive Director, will retire from office by rotation at the 2008 Annual General Meeting.

All of the above retiring Directors, being eligible, have offered themselves for re-election at the 2008 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, are set out in the circular of the Company, sent to shareholders together with the 2007 Annual Report, relating to, inter alia, the re-election of Directors.

The Company has received from each of the three incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the Century Share Option Scheme and the Paliburg Share Option Scheme (together, the "Schemes"), under which options have been granted to certain Directors.

During the year, Mr. Kenneth Ng Kwai Kai exercised certain options to subscribe for shares of PHL under the Paliburg Share Option Scheme. Save as disclosed herein, during the year, no option was granted to any Director under the Schemes, and none of the Directors exercised options to subscribe for shares under the Schemes.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2007)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	294,516,903	11,664,822,186 (Note a(i))	2,510,000	11,961,849,089
		(ii) unissued (Notes a(ii) & (iii))	408,903,380	2,332,964,436 (Note a(iv))	502,000 (Note a(v))	2,742,369,816
				Total (i) & (ii):	14,704,218,905 (66.17%)	
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	1,659,800	—	—	1,659,800
(ii) unissued (Note b(i))		331,960	—	—	331,960	
				Total (i) & (ii):	1,991,760 (0.009%)	
	Miss Lo Po Man	Ordinary (i) issued	740,437	—	—	740,437
(ii) unissued (Note b(ii))		148,087	—	—	148,087	
				Total (i) & (ii):	888,524 (0.004%)	
	Mr. Ng Siu Chan	Ordinary (i) issued	—	—	23,221,800	23,221,800
(ii) unissued		—	—	4,644,360 (Note b(iii))	4,644,360	
				Total (i) & (ii):	27,866,160 (0.13%)	

Report of the Directors (Cont'd)

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2007)
			Personal interests	Corporate interests	Family/Other interests	
2. PHL	Mr. Lo Yuk Sui	Ordinary (i) issued	194,267,731	5,742,836,889 (Note c(i))	135,000	5,937,239,620
		(ii) unissued (Notes c(ii) & (iii))	219,516,414	642,841,227 (Notes c(iv) & (v))	15,000 (Note c(vi))	862,372,641
					Total (i) & (ii):	6,799,612,261 (66.75%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (i) issued	675,000	—	—	675,000
		(ii) unissued (Note d)	21,837,000	—	—	21,837,000
					Total (i) & (ii):	22,512,000 (0.22%)
	Mr. Donald Fan Tung	Ordinary (i) issued	4,718	—	—	4,718
		(ii) unissued (Note e)	22,320,855	—	—	22,320,855
					Total (i) & (ii):	22,325,573 (0.22%)
	Mr. Jimmy Lo Chun To	Ordinary (i) issued	383,400	—	—	383,400
		(ii) unissued (Note f)	22,362,600	—	—	22,362,600
					Total (i) & (ii):	22,746,000 (0.22%)
	Miss Lo Po Man	Ordinary (unissued) (Note g)	11,160,000	—	—	11,160,000 (0.11%)
	Mr. Ng Siu Chan	Ordinary (i) issued	—	—	724,275	724,275
		(ii) unissued (Note h)	—	—	80,475	80,475
					Total (i) & (ii):	804,750 (0.008%)

Report of the Directors (Cont'd)

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2007)
			Personal interests	Corporate interests	Family/Other interests	
3. RHIHL	Mr. Lo Yuk Sui	Ordinary (i) issued	242,000	4,760,972,636 (Note i(i))	2,607,000	4,763,821,636
		(ii) unissued	200,000,000 (Note i(iii))	15,608,427 (Note i(ii))	—	215,608,427
					Total (i) & (ii):	4,979,430,063 (47.32%)
		Preference (issued)	—	3,440 (Note i(ii))	—	3,440 (20.54%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	20,000,000 (Note j)	—	—	20,000,000 (0.19%)
	Mr. Donald Fan Tung	Ordinary (unissued)	20,000,000 (Note j)	—	—	20,000,000 (0.19%)
	Mr. Jimmy Lo Chun To	Ordinary (unissued)	15,000,000 (Note k)	—	—	15,000,000 (0.14%)
	Miss Lo Po Man	Ordinary (i) issued	3,000,000	—	2,691,690 (Note l(ii))	5,691,690
		(ii) unissued	30,000,000 (Note l(ii))	—	—	30,000,000
					Total (i) & (ii):	35,691,690 (0.34%)
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1,000 (Note m)	—	1,000 (100%)
5. 8D Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	2,000,000 (Note n)	—	2,000,000 (100%)
6. 8D International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	500,000 (Note o)	—	500,000 (100%)

Report of the Directors (Cont'd)

	Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2007)
				Personal interests	Corporate interests	Family/Other interests	
7.	8D International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1 (Note p)	-	1 (100%)
8.	Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1 (Note q)	-	1 (100%)
9.	Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	2 (Note r)	-	2 (100%)
10.	Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	100 (Note s)	-	100 (100%)
11.	Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	3 (Note t)	-	3 (100%)
12.	Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	49,968 (Note u)	-	49,968 (99.94%)
13.	China Noble Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1 (Note v)	-	1 (100%)
14.	Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	10,000 (Note w)	-	10,000 (100%)
15.	Giant Forward Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1 (Note x)	-	1 (100%)
16.	Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	330 (Note y)	-	330 (100%)
17.	Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	10,000 (Note z)	-	10,000 (100%)
18.	Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	97 (Note aa)	-	97 (100%)
19.	Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	3 (Note ab)	-	3 (100%)

Report of the Directors (Cont'd)

Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2007)
			Personal interests	Corporate interests	Family/Other interests	
20. Pilot Pro Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1 (Note ac)	-	1 (100%)
21. Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	50,000 (Note ad)	-	50,000 (100%)
22. Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1 (Note ae)	-	1 (100%)
23. Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	10,000 (Note af)	-	10,000 (100%)
24. Treasure Collection International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	2 (Note ag)	-	2 (100%)

Notes:

- (a) (i) The interests in 914,822,186 issued ordinary shares of the Company were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 10,750,000,000 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited ("CCIHL")	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited ("Grand Modern")	Century Digital Holdings Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

Report of the Directors (Cont'd)

- (ii) The interests in 350,000,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Century City Share Option Scheme, entitling the holder thereof to subscribe for a total of 350,000,000 new ordinary shares of the Company at an exercise price of HK\$0.12 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of the Company under vested options</u>
12th May, 2007 to 11th May, 2011	140,000,000
12th May, 2008 to 11th May, 2011	70,000,000
12th May, 2009 to 11th May, 2011	70,000,000
12th May, 2010 to 11th May, 2011	70,000,000

- (iii) The interests in 58,903,380 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK\$5,890,338.00, which are exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for a total of 58,903,380 new ordinary shares of the Company at an initial subscription price of HK\$0.10 per ordinary share (subject to adjustment).
- (iv) The interests in 2,332,964,436 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$233,296,443.60, which are exercisable to subscribe for a total of 2,332,964,436 new ordinary shares of the Company upon the terms as set out in note (a)(iii) above.

The interests in 182,964,436 unissued ordinary shares of the Company were held through companies wholly owned by Mr. Lo and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 2,150,000,000 unissued ordinary shares of The Company were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern	Century Digital Holdings Limited	100.00

- (v) The interests in 502,000 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$50,200.00, which are exercisable to subscribe for a total of 502,000 new ordinary shares of the Company upon the terms as set out in note (a)(iii) above.
- (b) (i) The interests in 331,960 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$33,196.00, which are exercisable to subscribe for a total of 331,960 new ordinary shares of the Company upon the terms as set out in note (a)(iii) above.
- (ii) The interests in 148,087 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$14,808.70, which are exercisable to subscribe for a total of 148,087 new ordinary shares of the Company upon the terms as set out in note (a)(iii) above.
- (iii) The interests in 4,644,360 unissued ordinary shares of the Company related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK\$464,436.00, which are exercisable to subscribe for a total of 4,644,360 new ordinary shares of the Company upon the terms as set out in note (a)(iii) above.
- (c) (i) The interests in 5,323,656,289 issued ordinary shares of PHL were held through companies wholly owned by the Company, in which Mr. Lo held 53.82% shareholding interests.

The interests in 145,928,600 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 273,252,000 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (ii) The interests in 200,880,000 unissued ordinary shares of PHL were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 200,880,000 new ordinary shares of PHL at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHL under vested options</u>
12th May, 2007 to 11th May, 2011	80,352,000
12th May, 2008 to 11th May, 2011	40,176,000
12th May, 2009 to 11th May, 2011	40,176,000
12th May, 2010 to 11th May, 2011	40,176,000

- (iii) The interests in 18,636,414 unissued ordinary shares of PHL related to the interests in the warrants of PHL (the "2010 Warrants") carrying subscription rights in an aggregate amount of HK\$3,913,646.94, which are exercisable during the period from 20th November, 2007 to 8th November, 2010 to subscribe for a total of 18,636,414 new ordinary shares of PHL at an initial subscription price of HK\$0.21 per ordinary share (subject to adjustment).
- (iv) The interests in 594,659,259 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$124,878,444.39, which are exercisable to subscribe for a total of 594,659,259 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by the Company, in which Mr. Lo held 53.82% shareholding interests.
- (v) The interests in 48,181,968 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$10,118,213.28, which are exercisable to subscribe for a total of 48,181,968 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above.

The interests in 16,788,255 unissued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 31,393,713 unissued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (vi) The interests in 15,000 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$3,150.00, which are exercisable to subscribe for a total of 15,000 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above.

- (d) (i) The interests in 21,762,000 unissued ordinary shares of PHL were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 21,762,000 new ordinary shares of PHL at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options remaining outstanding have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHL under vested options</u>
25th July, 2007 to 24th July, 2011	8,370,000
25th July, 2008 to 24th July, 2011	4,464,000
25th July, 2009 to 24th July, 2011	4,464,000
25th July, 2010 to 24th July, 2011	4,464,000

- (ii) The interests in 75,000 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$15,750.00, which are exercisable to subscribe for a total of 75,000 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above.

- (e) (i) The interests in 22,320,000 unissued ordinary shares of PHL were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 22,320,000 new ordinary shares of PHL at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHL under vested options</u>
25th July, 2007 to 24th July, 2011	8,928,000
25th July, 2008 to 24th July, 2011	4,464,000
25th July, 2009 to 24th July, 2011	4,464,000
25th July, 2010 to 24th July, 2011	4,464,000

- (ii) The interests in 855 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$179.55, which are exercisable to subscribe for a total of 855 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above.

- (f) (i) The interests in 22,320,000 unissued ordinary shares of PHL were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 22,320,000 new ordinary shares of PHL at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHL under vested options</u>
25th July, 2007 to 24th July, 2011	8,928,000
25th July, 2008 to 24th July, 2011	4,464,000
25th July, 2009 to 24th July, 2011	4,464,000
25th July, 2010 to 24th July, 2011	4,464,000

- (ii) The interests in 42,600 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$8,946.00, which are exercisable to subscribe for a total of 42,600 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above.
- (g) The interests in 11,160,000 unissued ordinary shares of PHL were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 11,160,000 new ordinary shares of PHL at an adjusted exercise price of HK\$0.197 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHL under vested options</u>
25th July, 2007 to 24th July, 2011	4,464,000
25th July, 2008 to 24th July, 2011	2,232,000
25th July, 2009 to 24th July, 2011	2,232,000
25th July, 2010 to 24th July, 2011	2,232,000

- (h) The interests in 80,475 unissued ordinary shares of PHL related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK\$16,899.75, which are exercisable to subscribe for a total of 80,475 new ordinary shares of PHL upon the terms as set out in note (c)(iii) above.
- (i) (i) The interests in 4,214,000 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which Mr. Lo held 53.82% shareholding interests, and the interests in the other 4,756,758,636 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which the Company held 52.26% shareholding interests.

- (ii) The interests in 15,608,427 unissued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which the Company held 52.26% shareholding interests. Mr. Lo held 53.82% shareholding interests in the Company.

The interests in 15,608,427 unissued ordinary shares of RHIHL related to the interests in 3,440 convertible cumulative preference shares of RHIHL carrying rights to convert into 15,608,427 new ordinary shares of RHIHL, based on the conversion price of HK\$1.7037 per ordinary share and on a reference amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00, during the period from 5th December, 1993 to 5th December, 2008.

- (iii) The interests in 200,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the share option scheme of RHIHL named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), entitling the holder thereof to subscribe for a total of 200,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
12th May, 2007 to 11th May, 2011	80,000,000
12th May, 2008 to 11th May, 2011	40,000,000
12th May, 2009 to 11th May, 2011	40,000,000
12th May, 2010 to 11th May, 2011	40,000,000

- (j) The interests in 20,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	8,000,000
25th July, 2008 to 24th July, 2011	4,000,000
25th July, 2009 to 24th July, 2011	4,000,000
25th July, 2010 to 24th July, 2011	4,000,000

Report of the Directors (Cont'd)

- (k) The interests in 15,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 15,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of RHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	6,000,000
25th July, 2008 to 24th July, 2011	3,000,000
25th July, 2009 to 24th July, 2011	3,000,000
25th July, 2010 to 24th July, 2011	3,000,000

- (l) (i) The interests in 2,691,690 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.
- (ii) The interests in 30,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 30,000,000 new ordinary shares of RHIHL at an exercise price of HK\$0.75 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

<u>Exercise period</u>	<u>Number of ordinary shares of PHIHL under vested options</u>
25th July, 2007 to 24th July, 2011	12,000,000
25th July, 2008 to 24th July, 2011	6,000,000
25th July, 2009 to 24th July, 2011	6,000,000
25th July, 2010 to 24th July, 2011	6,000,000

- (m) 400 shares were held through companies controlled by the Company, in which Mr. Lo held 53.82% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (n) 800,000 shares were held through companies controlled by the Company, in which Mr. Lo held 53.82% shareholding interests, and 1,200,000 shares were held through companies controlled by Mr. Lo (including 8D International (BVI) Limited).

- (o) The interests in these shares of 8D International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00

- (p) The interest in the share of 8D International (China) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00

Report of the Directors (Cont'd)

- (q) The interest in the share of Century Digital Communications (BVI) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

- (r) The interests in these shares of Century Digital Communications Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Century Digital Communications (BVI) Limited	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Century Digital Communications (BVI) Limited	Century Digital Holdings Limited	100.00

- (s) The interests in these shares of Century Digital Enterprise Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Century Digital Investments Limited	Century Digital Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Century Digital Investments Limited	Century Digital Holdings Limited	99.93
Net Age Technology Limited	Century Digital Investments Limited	100.00

(c) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Century Digital Investments Limited	Century Digital Holdings Limited	99.93

- (t) The interests in these shares of Century Digital Holdings Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33

Report of the Directors (Cont'd)

- (u) The interests in these shares of Century Digital Investments Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
(b) Name of corporation	Controlled by	% of control
Century Digital Holdings Limited	Net Community Limited	100.00
Important Holdings Limited	Century Digital Holdings Limited	100.00
Top Technologies Limited	Century Digital Holdings Limited	100.00
(c) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
(d) Name of corporation	Controlled by	% of control
Century Digital Holdings Limited	Net Community Limited	100.00
Important Holdings Limited	Century Digital Holdings Limited	100.00
Top Technologies Limited	Century Digital Holdings Limited	100.00

- (v) The interest in the share of China Noble Investments Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

- (w) The interests in these shares of Full Range Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

Report of the Directors (Cont'd)

- (x) The interest in the share of Giant Forward Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00

- (y) The interests in these shares of Grand Modern were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	100.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Ultra Performance Limited	Mr. Lo	100.00

- (z) The interests in these shares of Important Holdings Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	100.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

- (aa) The interests in these shares of Net Age Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Century Digital Investments Limited	Century Digital Holdings Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Century Digital Investments Limited	Century Digital Holdings Limited	99.93

Report of the Directors (Cont'd)

(ab) The interests in these shares of Net Community Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Secure Way Technology Limited	Mr. Lo	92.50

(ac) The interest in the share of Pilot Pro Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00

(ad) The interests in these shares of Speedway Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

(ae) The interest in the share of Task Master Technology Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00

(af) The interests in these shares of Top Technologies Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	99.93

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00

Report of the Directors (Cont'd)

(ag) The interests in these shares of Treasure Collection International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	53.82
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
Secure Way Technology Limited	Mr. Lo	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
8D Matrix Limited	Century Digital Holdings Limited	60.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

Save as disclosed herein, as at 31st December, 2007, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed in note 36 to the consolidated financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Century Share Option Scheme and no option granted to such persons under the Century Share Option Scheme has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Century Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Century Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2007, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at 31st December, 2007
Manyways Technology Limited ("Manyways") (Notes i and ii)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
8D International (BVI) Limited ("8D BVI") (Notes i, ii and iii)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
Task Master Technology Limited ("Task Master") (Notes i, ii and iv)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
Secure Way Technology Limited ("Secure Way") (Notes i and ii)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
Net Community Limited ("Net Community") (Notes i, ii and v)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
Century Digital Holdings Limited ("Century Digital") (Notes i, ii and vi)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
Grand Modern (Notes i, ii and vii)	10,750,000,000	2,150,000,000	12,900,000,000	58.05%
Shenyin Wanguo (H.K.) Limited ("Shenyin Wanguo") (Note viii)	672,024,120	1,325,736,121	1,997,760,241	8.99%

Notes:

- (i) These companies are controlled by Mr. Lo and their interests in ordinary shares are included in the corporate interests of Mr. Lo in the Company as disclosed in the section headed "Directors' Interests in Share Capital" above.
- (ii) The interests in these ordinary shares are directly held by Grand Modern.
- (iii) 8D BVI is 60% owned by Manyways.
- (iv) Task Master is wholly owned by 8D BVI.
- (v) Net Community is 33.33% owned by Task Master and 66.67% owned by Secure Way.
- (vi) Century Digital is wholly owned by Net Community.
- (vii) Grand Modern is wholly owned by Century Digital.
- (viii) The interests in these unissued ordinary shares are directly held by Shenyin Wanguo Strategic Investments (H.K.) Ltd., which is wholly owned by Shenyin Wanguo, through its holding of 1,325,736,121 Series C convertible non-voting preference shares of the Company (the "Series C Shares"). 1,325,736,121 Series C Shares are convertible into 1,325,736,121 new ordinary shares on a phased basis.

Save as disclosed herein, there is no person who, as at 31st December, 2007, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.

MOVEMENTS IN SHARE OPTIONS GRANTED BY PALIBURG HOLDINGS LIMITED

During the year, details of movements in share options granted by PHL pursuant to the Paliburg Share Option Scheme are set out in note 34 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 16 to the financial statements.

PROPERTY HELD FOR FUTURE DEVELOPMENT

The details of movements in property held for future development during the year are set out in note 18 to the financial statements.

BORROWINGS

The details of the Company's and the Group's borrowings at the balance sheet date are set out in notes 30 to 32 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 34 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 34 to the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserves account during the year are presented in the consolidated statement of changes in equity of the financial statements.

EXCHANGE EQUALISATION RESERVE

The details of movements in the exchange equalisation reserve account during the year are presented in the consolidated statement of changes in equity of the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 36 to the financial statements.

ASSOCIATES

Particulars of the Group's interests in associates are set out in note 19 to the financial statements.

CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 35(b) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2007, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK\$1,605.6 million, of which HK\$22.3 million has been proposed as final dividend for the year.

The Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest expenses was capitalised during the year in respect of the Group's property development projects.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 44 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
27th March, 2008

Corporate Governance Report

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. As enhancement to the current standards and for complying with new requirements, revision of existing policies and practices and introduction of appropriate new measures have been implemented. Constant review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2007, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Further details relating to the compliance of the CG Code by the Company are set out in the report below.

(I) CORPORATE GOVERNANCE PRACTICES

A report on the extent of compliance by the Company of and any deviation from the provisions of the CG Code (as summarised below) during the year ended 31st December, 2007 is as follows:

A. DIRECTORS

A.1 The Board

Code A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

Deviation from Code A.1.1

No Four Board Meetings have been held at regular intervals during the year ended 31st December, 2007.

Code A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

Deviation from Code A.1.2

No Directors may include matters in the agenda for regular Board Meetings as other business of the meeting any time after receiving the notice of meeting or at the meeting after all businesses in the agenda have been transacted.

Code A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

Deviation from Code A.1.3

No At least 14 days' notice is given to the Directors for regular Board Meetings and reasonable notice is given for other ad hoc Board Meetings, in accordance with relevant provisions of the Bye-laws of the Company. Arrangements will be made for any Director who cannot present in person to participate in and discuss with the other Directors at the meeting through appropriate means of communication.

Code A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Deviation from Code A.1.4

No The Executive Director who is in charge of the company secretarial function of the Group is in close liaison with the Company Secretary of the Company to ensure that board procedures, and all applicable rules and regulations, are followed. All other Directors may make enquiry to the Company Secretary any time they consider necessary or appropriate for such purposes.

Code A.1.5 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and such minutes should be open for inspection at any reasonable time on reasonable notice by any director.

Deviation from Code A.1.5

No Minutes of Board Meetings and Meetings of Board Committees are kept by the Company Secretary of the Company and the appointed secretary of the Board Committees and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Code A.1.6 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

Deviation from Code A.1.6

No Minutes of Board Meetings and Meetings of Board Committees have recorded relevant details of the transactions or matters considered by the Directors at the meetings, rationales for making the decisions and the resolutions resolved at the meetings. Board Resolutions are circulated to the Directors for review and signing within a reasonable time.

Code A.1.7 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer.

Deviation from Code A.1.7

No In the event that independent professional advice is required or considered necessary for the Directors to make decisions on any transactions or matters concerning the Group, any Director may after consulting the Chairman of the Board, or the Directors may resolve at the Board Meeting held for considering the relevant transaction or matter to, seek independent professional advice at the expense of the Company.

Code A.1.8 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.

Deviation from Code A.1.8

No An ad hoc full Board Meeting will be convened for considering and approving any matter which the Board has determined to be material and in which any substantial shareholder or Director of the Company has a conflict of interest. The Board Meeting will be scheduled for an appropriate time that the disinterested Independent Non-Executive Directors shall be able to attend. Any substantial shareholder or Director who has a conflict of interest and any of his/her associates will abstain from voting at the Meeting and not be counted as quorum of the Meeting in accordance with the Bye-laws of the Company.

A.2 Chairman and Chief Executive Officer

Code A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Deviation from Code A.2.1

Yes Due to practical necessity on account of the Group's corporate operating structure, the roles of the Chairman and Chief Executive Officer are both performed by Mr. Lo Yuk Sui who is the controlling shareholder and the Chairman and Chief Executive Officer of the Company overseeing the overall policy and decision making of the Group. A Chief Operating Officer has been appointed in January 2007 to take up responsibility for overseeing the business operations of the Group.

Code A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

Deviation from Code A.2.2

No The Chairman takes the role of briefing the Directors on issues arising at the Board Meetings or, in appropriate circumstance, delegates this role to Executive Directors who are primarily involved in and in possession of comprehensive details about the relevant issue.

Code A.2.3 The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

Deviation from Code A.2.3

No The Chairman takes active efforts to ensure that the Executive Directors or executives who are primarily involved in the relevant transaction or matter will provide to Directors adequate information, which is complete and reliable, in a timely manner.

A.3 Board composition

Code A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.

Deviation from Code A.3.1

No Identification of the Independent Non-Executive Directors has been shown on announcements and other corporate communications of the Company to its shareholders/warranholders.

A.4 Appointments, re-election and removal

Code A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation from Code A.4.1

Yes The Independent Non-Executive Directors of the Company were not appointed for specific terms. However, arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Code A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation from Code A.4.2

No Pursuant to relevant provisions of the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his/her appointment. In compliance with the requirements under this CG Code, all Directors would retire at annual general meetings at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on a voluntary basis. At the annual general meeting of the Company held on 12th June, 2007, two Directors, who were appointed in January 2007 and held office until that meeting, and two Directors, who had been in office for three years, all retired and were re-elected at that meeting.

A.5 Responsibilities of directors

Code A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.

Deviation from Code A.5.1

No The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary.

Code A.5.2 The functions of non-executive directors should include but should not be limited to the following:

- (a) participating in board meetings of the issuer to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;*
- (b) taking the lead where potential conflicts of interests arise;*
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and*
- (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.*

Deviation from Code A.5.2

No The Independent Non-Executive Directors perform the functions as set out in this CG Code.

Code A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot do so.

Deviation from Code A.5.3

No Every Director contributes sufficient time and attention to the affairs of the Company and the Group as appropriate for the roles undertaken.

Code A.5.4 Directors must comply with their obligations under the Code of Conduct for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules and, in addition, the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees (as defined in the CG Code) in respect of their dealings in the securities of the issuer.

Deviation from Code A.5.4

No The Directors have confirmed that they have complied with the required standard under the Model Code and the "Code for Securities Transactions by Directors of Century City International Holdings Limited" (the "Century Code") adopted by the Company, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors during the year ended 31st December, 2007.

The Board has also adopted the "Guidelines for Securities Transactions by Relevant Employees Directors of Century City International Holdings Limited" (the "Century Guidelines"), on terms no less exacting than the required standard set out in the Model Code, in respect of their dealings in the securities of the Company.

The Century Code and the Century Guidelines are available on the website of the Company.

A.6 Supply of and access to information

Code A.6.1 In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed).

Deviation from Code A.6.1

No Agenda and relevant board papers for Board Meetings and Board Committee Meetings have been timely sent to all Directors at least 3 days before the intended date of the Meetings (or such other period as agreed).

Code A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable.

Deviation from Code A.6.2

No Any Director may require information in addition to those provided by management and make further enquiries where necessary. Each Director has separate and independent access to the Company's senior management.

Code A.6.3 All directors are entitled to have access to board papers and related materials. Such papers and related materials should be prepared in such form and quality as will enable the board to make an informed decision on matters placed before it. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.

Deviation from Code A.6.3

No All relevant board papers and related materials are sent to all Directors ahead of time for the Meetings, with an aim to enabling the Board to make informed decisions on matters placed before it. In the event of queries raised by Directors, the Executive Directors and management are obligated to ensure that the requisite information or materials will be provided to the Directors soonest possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Code B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

Deviation from Code B.1.1

No The Company has established a Remuneration Committee comprising Mr. LO Yuk Sui, the Chairman and Chief Executive Officer of the Company, as Chairman of the Committee and Mr. Anthony CHUANG, Mr. NG Siu Chan and Mr. WONG Chi Keung, all being Independent Non-Executive Directors, as members, with written terms of reference which deal clearly with the authority and duties of the Committee.

Code B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

Deviation from Code B.1.2

No The proposals relating to the remuneration of other Executive Directors are formulated by consultation amongst the members of the Remuneration Committee which is presided by the Chairman and Chief Executive Officer of the Company. Professional advice in such respect is sought if considered necessary.

Code B.1.3 The terms of reference of the remuneration committee should include, as a minimum, the specific duties as set out in the CG Code.

Deviation from Code B.1.3

No The terms of reference of the Remuneration Committee are set up with reference to the requirements under the CG Code.

Code B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code B.1.4

No The terms of reference of the Remuneration Committee are available on the website of the Company.

Code B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.

Deviation from Code B.1.5

No The Remuneration Committee has been and will be provided with sufficient resources to discharge its duties.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Code C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.

Deviation from Code C.1.1

No Executive Directors and other executives of the Group who are in charge of the financial reporting function have provided detailed explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

Code C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the Independent Auditors' Report on the financial statements.

Deviation from Code C.1.2

No Relevant acknowledgement by the Directors of their responsibility in preparing financial statements of the Group is stated in this Corporate Governance Report.

In the Independent Auditors' Report contained in this Annual Report, the Auditors state their reporting responsibilities on the financial statements of the Group.

Code C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Deviation from Code C.1.3

No The Board uses all reasonable endeavours to ensure that a balanced, clear and understandable assessment is presented in all reports, announcements or other disclosures as required to be made by the Company under the Listing Rules and other applicable statutes and regulations.

C.2 Internal controls

Code C.2.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

Deviation from Code C.2.1

No The Directors have conducted an annual review of the effectiveness of the system of internal control of the Group covering all material controls, including financial, operational and compliance controls and risk management functions. Proposals on further enhancement of the system of internal control of the Group, if required or necessary, are being implemented from time to time.

C.3 Audit Committee

Code C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

Deviation from Code C.3.1

No Minutes of the Audit Committee Meetings of the Company are kept by the Company Secretary who is the appointed secretary of the Audit Committee, after finalisation with the members of the Audit Committee within a reasonable time after the Meetings.

Code C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for a period of 1 year commencing on the date of his ceasing:

- (a) to be a partner of the firm; or*
 - (b) to have any financial interest in the firm,*
- whichever is the later.*

Deviation from Code C.3.2

No None of the members of the Audit Committee is a former partner of the Company's existing Auditors.

Code C.3.3 *The terms of reference of the audit committee should include at least the duties as specified in the CG Code.*

Deviation from Code C.3.3

No The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants, with terms of reference, explaining its role and the authority delegated to it by the Board.

Code C.3.4 *The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.*

Deviation from Code C.3.4

No The terms of reference of the Audit Committee explaining its role and the authority delegated to it by the Board are available on the website of the Company.

Code C.3.5 *Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.*

Deviation from Code C.3.5

No There has not been any disagreement between the Audit Committee and the Board on the selection and appointment of the external Auditors of the Company.

Code C.3.6 *The audit committee should be provided with sufficient resources to discharge its duties.*

Deviation from Code C.3.6

No The Company ensures that sufficient resources will be provided to the Audit Committee for discharging its duties.

D. DELEGATION BY THE BOARD

D.1 Management functions

Code D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the issuer.

Deviation from Code D.1.1

No All material policies and decisions remain within the authority of the Board as a whole. The Board will only delegate authorities to management, to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole.

Code D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

Deviation from Code D.1.2

No The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company.

D.2 Board Committees

Code D.2.1 Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Deviation from Code D.2.1

No The Audit Committee and the Remuneration Committee are established with sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Code D.2.2 *The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).*

Deviation from Code D.2.2

No The respective terms of reference of Audit Committee and the Remuneration Committee require such committees to report back to the Board on their decisions or recommendations.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Code E.1.1 *In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.*

Deviation from Code E.1.1

No Separate Resolution on each substantially separate issue was proposed by the Chairman of Meeting at the Annual General Meeting of the Company held in 2007. Proposed election of Directors of the Company were put to vote by a separate Resolution for each nominated Director.

Code E.1.2 *The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.*

Deviation from Code E.1.2

No The Chairman of the Board and a Member of the Audit Committee had attended the Annual General Meeting of the Company held in 2007. Questions were raised by certain shareholders at the Meeting concerning the Group's business affairs, which were responded to by the Chairman of the Board.

At any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, the chairman of the independent board committee (if any) would be available to answer questions at that meeting.

E.2 Voting by Poll

Code E.2.1 The chairman of a meeting should ensure disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in Rule 13.39(4) of the Listing Rules. In particular, pursuant to Rule 13.39(3), the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.

Deviation from Code E.2.1

No Relevant details of the provisions of the Bye-laws relating to the procedures for and the rights of shareholders to demand a poll have been set out in the circular of the Company containing the notice convening the Annual General Meeting of the Company held in 2007.

There had not been situation at the Annual General Meeting of the Company where, on a show of hands, votes were cast in the opposite manner to that as instructed in the proxies as would require that the Chairman to demand a poll.

Code E.2.2 The issuer should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The issuer should ensure that votes cast are properly counted and recorded.

Deviation from Code E.2.2

No At the Annual General Meeting of the Company held during the year of 2007, the Chairman of Meeting had indicated to the Meeting by display at the forum the level of proxies lodged on each Resolution put to the Meeting and the balance for and against the Resolution, after the Resolution has been dealt with on a show of hands and before he declared the results of voting.

Code E.2.3 *The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:*

- (a) *the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and*
- (b) *the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.*

Deviation from Code E.2.3

No The Chairman of the Annual General Meeting of the Company held during the year of 2007 had at the commencement of Meeting referred the shareholders to the procedures for demanding a poll by shareholders as detailed in the related circular of the Company to its shareholders. The Chairman also informed the meeting that if a poll was validly demanded and before the poll taking was to be conducted, the Chairman would explain to the shareholders detailed procedures for conducting a poll and he would answer any relevant questions from shareholders.

(II) DIRECTORS' SECURITIES TRANSACTIONS

As reported in the preceding section headed "Corporate Governance Practices", the Company has adopted the Century Code, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Century Code during the year ended 31st December, 2007.

(III) BOARD OF DIRECTORS

The Board of Directors of the Company currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui (*Chairman and Chief Executive Officer*)
Mr. Kenneth Ng Kwai Kai (*Chief Operating Officer*)
Mr. Donald Fan Tung (*appointed on 11th January, 2007*)
Mr. Jimmy Lo Chun To
Miss Lo Po Man (*appointed on 11th January, 2007*)

Independent Non-Executive Directors:

Mr. Anthony Chuang
Mr. Ng Siu Chan
Mr. Wong Chi Keung

The name, biographical details of the Directors and relationship among them are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31st December, 2007, the Company has fully complied with Rules 3.10(1) and (2) of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

In the year of 2007, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance
<i>Executive Directors</i>	
Mr. Lo Yuk Sui <i>(Chairman and Chief Executive Officer)</i>	6/6
Mr. Kenneth Ng Kwai Kai <i>(Chief Operating Officer)</i>	6/6
Mr. Donald Fan Tung	6/6
Mr. Jimmy Lo Chun To	4/6
Miss Lo Po Man	6/6
<i>Independent Non-Executive Directors</i>	
Mr. Anthony Chuang	5/6
Mr. Ng Siu Chan	5/6
Mr. Wong Chi Keung	6/6

(IV) NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board is responsible for the procedure of selecting and appointing Directors.

Those Directors appointed by the Board during the year shall hold office until the next annual general meeting and, being eligible, may offer for re-election.

(V) AUDIT COMMITTEE

The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. Ng Siu Chan *(Chairman of the Committee)*
 Mr. Anthony Chuang *(Member)*
 Mr. Wong Chi Keung *(Member)*

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In the year of 2007, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Ng Siu Chan (<i>Chairman of the Committee</i>)	2/2
Mr. Anthony Chuang	2/2
Mr. Wong Chi Keung	2/2

(VI) REMUNERATION COMMITTEE

The Company has formed the Remuneration Committee with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the Company's website. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui (*Chairman of the Committee*)

Independent Non-Executive Directors:

Mr. Anthony Chuang (*Member*)

Mr. Ng Siu Chan (*Member*)

Mr. Wong Chi Keung (*Member*)

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has been appointed to act as the Secretary of the Committee.

In the year of 2007, the Remuneration Committee met once. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Lo Yuk Sui (<i>Chairman of the Committee</i>)	1/1
Mr. Anthony Chuang	1/1
Mr. Ng Siu Chan	1/1
Mr. Wong Chi Keung	1/1

(VII) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensure that appropriate accounting policies are selected and applied consistently and the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors also ensure the financial statements are published in a timely manner.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(VIII) INTERNAL CONTROL

The Board has conducted a review of effectiveness of the system of internal controls of the Group during the year of 2007, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving a sound internal control system. Separate meetings participated by Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the internal control system, to identify any significant control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the internal control mechanisms is mainly conducted by delegated Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(IX) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2007 Annual General Meeting until the conclusion of the forthcoming 2008 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2007 were HK\$1.9 million (2006 - HK\$1.9 million) and HK\$0.7 million (2006 - HK\$0.4 million), respectively.

Consolidated Income Statement

For the year ended 31st December, 2007

	Notes	2007 HK\$'million	2006 HK\$'million
REVENUE	5	438.9	187.9
Cost of sales		(357.4)	(164.6)
Gross profit		81.5	23.3
Other income and gains	5	248.5	99.9
Fair value gain upon reclassification of a property held for sale to an investment property		–	70.3
Administrative expenses		(48.4)	(40.9)
Other operating expenses	6	(109.0)	(35.9)
OPERATING PROFIT		172.6	116.7
Finance costs	8	(24.5)	(19.2)
Share of profits and losses of associates		1,280.0	155.4
PROFIT BEFORE TAX	7	1,428.1	252.9
Tax	11	(3.4)	(8.6)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		1,424.7	244.3
Attributable to:			
Equity holders of the parent	12	758.6	106.8
Minority interests		666.1	137.5
		1,424.7	244.3
DIVIDENDS	13		
Interim		10.7	4.9
Proposed final		22.3	12.6
		33.0	17.5
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		
Basic		HK3.83 cents	HK0.65 cent
			(Restated)
Diluted		HK2.82 cents	HK0.46 cent

Consolidated Balance Sheet

As at 31st December, 2007

	Notes	2007 HK\$'million	2006 HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment	15	4.8	5.6
Investment properties	16	380.3	350.3
Goodwill	17	202.0	202.0
Property held for future development	18	–	26.7
Interests in associates	19	4,552.3	2,981.6
Available-for-sale investments	20	17.9	37.4
Financial assets at fair value through profit or loss	23	308.5	–
Loans receivable	21	9.7	14.3
Deposits		10.0	–
Other assets	22	0.2	0.2
Total non-current assets		5,485.7	3,618.1
CURRENT ASSETS			
Financial assets at fair value through profit or loss	23	138.3	19.1
Properties held for sale	24	6.0	38.7
Inventories	25	3.7	6.9
Debtors, deposits and prepayments	26, 29	79.2	91.5
Time deposits		439.9	129.8
Cash and bank balances		74.1	17.6
Asset of a disposal group classified as held for sale	27	741.2 249.4	303.6 249.4
Total current assets		990.6	553.0
CURRENT LIABILITIES			
Creditors and accruals	28, 29	(102.5)	(110.2)
Tax payable		(4.0)	(2.8)
Interest bearing bank and other borrowings	30	(197.0)	(10.3)
Deposits received	27	(221.3)	(220.3)
Liability directly associated with the asset of a disposal group classified as held for sale	27	(524.8) (98.9)	(343.6) (98.9)
Total current liabilities		(623.7)	(442.5)
NET CURRENT ASSETS		366.9	110.5
TOTAL ASSETS LESS CURRENT LIABILITIES		5,852.6	3,728.6

Consolidated Balance Sheet (Cont'd)

	Notes	2007 HK\$'million	2006 HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		5,852.6	3,728.6
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	30	(50.0)	(337.9)
Convertible bonds	32	–	(74.7)
Deferred tax liabilities	33	(11.0)	(8.7)
Total non-current liabilities		(61.0)	(421.3)
Net assets		5,791.6	3,307.3
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	34	391.7	422.8
Equity component of convertible bonds	32	–	5.2
Reserves	35(a)	2,836.4	1,329.2
Proposed final dividend	13	22.3	12.6
		3,250.4	1,769.8
Minority interests		2,541.2	1,537.5
Total equity		5,791.6	3,307.3

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

		Attributable to equity holders of the parent											Total equity			
		Issued capital	Share premium account	Equity component of convertible bonds	Equity component of convertible bonds of the listed associate	Share option reserve	Assets revaluation reserve	Available-for-sale investments revaluation reserve	Investments revaluation reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend		Total	Minority interests	
Notes	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2006	516.8	234.9	5.5	5.4	3.6	254.7	41.8	7.3	-	648.3	8.2	1,726.5	1,390.8	3,117.3		
Charges in fair value of available-for-sale investments	-	-	-	-	-	-	41.4	-	-	-	-	41.4	35.6	77.0		
Exchange re-appointment	-	-	-	-	-	-	-	-	5.2	-	-	5.2	4.6	9.8		
Share of the listed associate	-	-	-	-	-	-	-	-	2.4	-	-	2.4	2.0	4.4		
Total income and expense recognised directly in equity	-	-	-	-	-	-	41.4	-	7.6	-	-	49.0	42.2	91.2		
Profit for the year	-	-	-	-	-	-	-	-	-	106.8	-	106.8	137.5	244.3		
Total income and expense for the year	-	-	-	-	-	-	41.4	-	7.6	106.8	-	155.8	179.7	335.5		
Issue of new shares upon exercise of warrants	34(iii)	0.1	-	-	-	-	-	-	-	-	-	0.1	-	0.1		
Issue of new shares upon conversion of convertible preference shares	34(ii)	7.4	66.8	-	-	-	-	-	-	-	-	74.2	-	74.2		
Conversion of convertible bonds	32, 34(i)	0.5	4.6	(0.3)	-	-	-	-	-	-	-	4.8	-	4.8		
Conversion of convertible preference shares	34(i)	(74.2)	-	-	-	-	-	-	-	-	-	(74.2)	-	(74.2)		
Redemption of convertible preference shares	34(iv)	(27.7)	-	-	-	-	-	-	-	19.4	-	(8.3)	-	(8.3)		
Release on disposal of interests in the listed subsidiary	-	-	-	-	(0.2)	(8.0)	(1.9)	-	-	-	-	(10.1)	56.3	46.2		
Release on deemed disposal of interests in the listed associate	-	-	-	-	(0.1)	-	-	(0.1)	-	-	-	(0.2)	-	(0.2)		
Release on exercise of warrants in the listed associate	-	-	-	-	-	-	(84.3)	-	-	-	-	(84.3)	(74.7)	(159.0)		
Final 2005 dividend declared	-	-	-	-	-	-	-	-	-	-	(8.2)	(8.2)	(6.5)	(14.7)		
Equity-settled share option arrangements	34	-	-	-	4.0	-	-	-	-	-	-	4.0	1.4	5.4		
Share of the listed associate	-	-	-	(2.0)	3.8	-	-	(7.2)	-	-	-	(5.4)	(4.6)	(10.0)		
Interim 2006 dividend	13	-	-	-	-	-	-	-	-	(4.9)	-	(4.9)	(4.9)	(9.8)		
Proposed final 2006 dividend	13	-	-	-	-	-	-	-	-	(12.6)	12.6	-	-	-		
At 31st December, 2006	422.8	306.4	5.2	3.4	11.1	246.7	(3.0)	-	7.6	757.0	12.6	1,768.8	1,537.5	3,307.3		

Consolidated Statement of Changes in Equity (Cont'd)

		Attributable to equity holders of the parent												
		Issued capital	Share premium account	Equity component of convertible bonds	Equity component of convertible bonds of the listed associate	Share option reserve	Assets revaluation reserve	Available-for-sale investments revaluation reserve	Hedge reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total	Minority interests
Notes	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2007	422.8	306.4	5.2	3.4	11.1	246.7	(3.0)	-	7.6	757.0	12.6	1,769.8	1,537.5	3,307.3
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(0.7)	-	-	-	-	(0.7)	(0.4)	(1.1)
Exchange revaluation	-	-	-	-	-	-	-	-	19.5	-	-	19.5	18.4	37.9
Share of the listed associate	-	-	-	-	-	-	-	-	8.9	-	-	8.9	4.6	9.4
Total income and expense recognised directly in equity	-	-	-	-	-	-	-	-	28.4	-	-	28.4	22.6	46.2
Profit for the year	-	-	-	-	-	-	-	-	-	758.6	-	758.6	666.1	1,424.7
Total income and expense for the year	-	-	-	-	-	-	-	-	28.4	758.6	-	787.0	688.7	1,470.9
Issue of new shares	34(v)	16.0	504.0	-	-	-	-	-	-	-	-	520.0	-	520.0
Issue of new shares upon conversion of convertible preference shares	34(vii)	8.1	73.1	-	-	-	-	-	-	-	-	81.2	-	81.2
Issue of new shares upon exercise of warrants	34(viii)	2.5	22.5	-	-	-	-	-	-	-	-	25.0	-	25.0
Share issue expenses	-	-	(20.1)	-	-	-	-	-	-	-	-	(20.1)	-	(20.1)
Conversion of convertible bonds	32, 34(v)	23.5	217.7	(6.2)	-	-	-	-	-	-	-	236.0	-	236.0
Conversion of convertible preference shares	34(vii)	(81.2)	-	-	-	-	-	-	-	-	-	(81.2)	-	(81.2)
Acquisition of additional interests in the listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(72.9)	(72.9)
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	263.6	263.6
Release on deemed disposal of interests in the listed subsidiary	-	-	-	-	(0.4)	(10.3)	0.2	-	(0.3)	-	-	(10.8)	166.6	155.8
Release on deemed disposal of interests in the listed associate	-	-	-	(1.1)	(0.3)	(16.0)	-	-	(0.2)	-	-	(17.6)	(15.1)	(32.7)
Release on exercise of warrants in the listed associate	-	-	-	-	-	-	(12.0)	-	-	-	-	(12.0)	(11.8)	(23.8)
Final 2006 dividend declared	-	-	-	-	-	-	-	-	-	(2.4)	(12.6)	(15.0)	(10.2)	(25.2)
Equity-settled share option arrangements	34	-	-	-	3.1	-	-	-	-	-	-	3.1	1.1	4.2
Share of the listed associate	-	-	-	(2.3)	2.8	-	-	-	-	-	-	0.5	0.4	0.9
Interim 2007 dividend	13	-	-	-	-	-	-	-	-	(10.7)	-	(10.7)	(6.7)	(17.4)
Proposed final 2007 dividend	13	-	-	-	-	-	-	-	-	(22.3)	22.3	-	-	-
At 31st December, 2007	391.7	1,103.6	-	-	16.3	220.4	(15.5)	(4.1)	35.5	1,480.2	22.3	3,250.4	2,541.2	5,791.6

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	Notes	2007 HK\$'million	2006 HK\$'million
Net cash inflow/(outflow) from operating activities	37(a)	(121.6)	14.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional interests in the listed subsidiary		(316.9)	–
Acquisition of additional interests in the listed associate		(107.6)	(75.0)
Disposal of subsidiaries	37(d)	50.0	–
Proceeds from disposal of available-for-sale investments		–	3.1
Increase in available-for-sale investments		(5.1)	–
Decrease in loans receivable		5.1	7.7
Increase in deposits		(10.0)	–
Decrease in other assets		–	0.1
Purchases of items of property, plant and equipment		(1.8)	(1.2)
Repayment from/(Advance to) associates		(13.1)	1.1
Interest received		23.9	5.0
Dividends received from listed and unlisted investments		91.3	32.2
Net cash outflow from investing activities		(284.2)	(27.0)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		520.0	–
Proceeds from exercise of warrants		25.0	0.1
Proceeds from issue of convertible bonds		160.0	–
Share issue expenses		(20.1)	–
Redemption of convertible preference shares		–	(8.3)
Redemption of exchangeable notes		–	(13.8)
Net proceeds from issue of shares by the listed subsidiary		554.0	–
Drawdown of new loans		–	202.0
Repayments of bank loans and other loans		(101.7)	(81.6)
Repayments of promissory notes		(300.0)	–
Payment of loan costs		(0.1)	(0.6)
Interest paid		(22.9)	(14.0)
Dividends paid		(42.6)	(24.5)
Net cash inflow from financing activities		771.6	59.3

Consolidated Cash Flow Statement (Cont'd)

	2007 HK\$'million	2006 HK\$'million
Net increase in cash and cash equivalents	365.8	47.1
Cash and cash equivalents at beginning of year	147.4	100.2
Effect of foreign exchange rate changes, net	0.8	0.1
Cash and cash equivalents at end of year	<u>514.0</u>	<u>147.4</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	74.1	17.6
Non-pledged time deposits with original maturity of less than three months when acquired	<u>439.9</u>	<u>129.8</u>
	<u>514.0</u>	<u>147.4</u>

Balance Sheet

As at 31st December, 2007

	Notes	2007 HK\$'million	2006 HK\$'million
NON-CURRENT ASSETS			
Interests in subsidiaries	36	3,107.0	2,369.4
CURRENT ASSETS			
Deposits and prepayments		1.4	1.3
CURRENT LIABILITIES			
Creditors and accruals		(2.0)	(2.0)
NET CURRENT LIABILITIES			
		(0.6)	(0.7)
Net assets		3,106.4	2,368.7
EQUITY			
Issued capital	34	391.7	422.8
Reserves	35(b)	2,692.4	1,933.3
Proposed final dividend	13	22.3	12.6
Total equity		3,106.4	2,368.7

KENNETH NG KWAI KAI

Director

LO YUK SUI

Director

Notes to Financial Statements

31st December, 2007

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in property development and investment, construction and building related businesses and other investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4(g). These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases which will give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

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

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) *HKFRS 7 Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, certain comparative information has been included/ revised where appropriate.

(b) *Amendment to HKAS 1 Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 43 to the financial statements.

(c) *HK(IFRIC)-Int 8 Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) *HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) *HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1st January, 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st July, 2008

⁴ Effective for annual periods beginning on or after 1st January, 2008

⁵ Effective for annual periods beginning on or after 1st July, 2009

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by a subsidiary as well as the loss of control over a subsidiary. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, the adoption of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

(c) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Upon the disposal of interests in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

Where the Group's equity interest in a subsidiary is diluted by virtue of the additional issue of shares by such subsidiary (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's consolidated income statement.

(d) Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's interests in associates.

Where the Group's equity interest in an associate is diluted by virtue of the additional issue of shares by such associate (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's consolidated income statement.

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

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(f) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(g) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

(h) Property under development

Property under development is stated at cost less any impairment losses. Cost includes all costs attributable to such development, including any related finance charges.

(i) Property held for future development

Property held for future development is stated at cost less any impairment losses. Cost includes all costs attributable to the acquisition and holding of such property, including any related finance charges.

(j) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest is capitalised at the Group's weighted average interest rate on external borrowings and, where applicable, at the interest rates related to specific development project borrowings.

(k) Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. 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.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. 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 costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Dividends earned are reported as dividend income and are recognised in the income statement as "Other income" in accordance with the policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investments revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same.

(I) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and 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 (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a 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 by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the debts is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

(m) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(n) Financial liabilities at amortised cost (including interest bearing bank and other borrowings)

Financial liabilities including creditors and accruals, interest bearing bank and other borrowings and deposits received are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(o) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(p) Convertible preference shares

The component of convertible preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. The carrying amount of the conversion option is not remeasured in subsequent years.

(q) Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(r) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(s) Other assets

Other assets held on the long term basis are stated at cost less any impairment losses deemed necessary by the Directors.

(t) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold properties	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

(u) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to completion and disposal.

(v) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has completed not less than 50% based on the percentage of completion method. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(w) Revenue recognition

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

- (i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

- (ii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;
- (iii) fee income on short term construction contracts, on completion of the construction work;
- (iv) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(v) above;
- (v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (vi) dividend income, when the shareholders' right to receive payment has been established;
- (vii) proceeds from sale of financial assets at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged; and
- (viii) consultancy and management fees, in the period in which such services are rendered.

(x) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(y) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(z) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(aa) Employee benefits

Share-based payment transactions

The Company and its listed subsidiary operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company and the listed subsidiary ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Any dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per ordinary share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7th November, 2002 that had not vested by 1st January, 2005 and to those granted on or after 1st January, 2005.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(ab) Related parties

A party is considered to be related to the Group if:

- (i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly controlled entity;
- (iv) the party is a member of the key management personnel of the Group;
- (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 the employees of the Group, or of any entity that is a related party of the Group.

(ac) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(ad) Dividends

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the balance sheet, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2007 was HK\$202.0 million (2006 - HK\$202.0 million) and the carrying amount of goodwill included in interests in associates was HK\$284.3 million (2006 - HK\$54.0 million). More details are given in notes 17 and 19 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses arising in Hong Kong and the United States of America at 31st December, 2007 were HK\$1,422.1 million (2006 - HK\$1,438.7 million) and HK\$212.9 million (2006 - HK\$213.2 million), respectively. Further details are contained in note 33 to the financial statements.

Fair value of unlisted available-for-sale investments

The unlisted available-for-sale investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted available-for-sale investments at 31st December, 2007 was HK\$8.0 million (2006 - HK\$2.8 million).

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. During the year, the outcome of a number of construction contracts was revised, thus leading to a gross construction profit of HK\$7.6 million (2006 - HK\$7.4 million) being recognised in the income statement.

Measurement of convertible bonds

On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the shareholders' equity, net of transaction costs. The determination of the liability component requires an estimation of the market interest rate.

Measurement of fair value of equity-settled transactions

Both the Company and its listed subsidiary operate share option schemes under which employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel ownership/operation* and management segment engages in hotel operations and the provision of hotel management services;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises the provision of financing services.

* The listed associate of the Company, Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries (the "RHIHL Group") owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal Real Estate Investment Trust ("Regal REIT") for a separate listing on 30th March, 2007 and thereafter the RHIHL Group leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of RHIHL.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2007 and 2006.

GROUP

	Property development and investment		Construction and building related businesses		Hotel ownership/operation and management		Securities investment		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:														
Sales to external customers	85.5	23.8	249.5	133.2	-	-	103.4	30.4	0.5	0.5	-	-	438.9	187.9
Intersegment sales	-	-	-	5.8	-	-	-	-	-	-	-	(5.8)	-	-
Total	85.5	23.8	249.5	139.0	-	-	103.4	30.4	0.5	0.5	-	(5.8)	438.9	187.9
Segment results	100.9	158.9	25.9	8.8	-	-	130.3	6.9	3.2	2.7	-	(0.1)	260.3	177.2
Interest income and unallocated non-operating and corporate gains													66.6	12.6
Unallocated non-operating and corporate expenses													(154.3)	(73.1)
Operating profit													172.6	116.7
Finance costs													(24.5)	(19.2)
Share of profits and losses of associates	(56.0)	4.3	(0.3)	-	1,336.3	151.2	-	-	-	(0.1)	-	-	1,280.0	155.4
Profit before tax													1,428.1	252.9
Tax													(3.4)	(8.6)
Profit for the year before allocation between equity holders of the parent and minority interests													1,424.7	244.3
Attributable to:														
Equity holders of the parent													758.6	106.8
Minority interests													666.1	137.5
													1,424.7	244.3

Notes to Financial Statements (Cont'd)

Business segments (continued)

GROUP

	Property development and investment		Construction and building related businesses		Hotel ownership/operation and management		Securities investment		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment assets	389.4	419.2	68.8	39.8	-	-	448.4	19.2	13.7	20.3	-	-	920.3	498.5
Interests in associates	613.6	620.5	-	0.3	3,938.7	2,382.3	-	-	-	-	-	(21.5)	4,552.3	2,981.6
Asset of a disposal group classified as held for sale	249.4	249.4	-	-	-	-	-	-	-	-	-	-	249.4	249.4
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	754.3	441.6
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	6,476.3	4,171.1
Segment liabilities	(4.9)	(4.8)	(85.0)	(88.6)	-	-	-	-	-	(0.2)	-	-	(89.9)	(93.6)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	-	-	-	-	-	-	-	-	-	-	(98.9)	(98.9)
Bank and other borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(495.9)	(671.3)
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(684.7)	(863.8)
Other segment information:														
Depreciation	-	-	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	0.9	1.0	-	-	-	-	-	-	-	-	-	-
Other non-cash expenses	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
<u>Revenue</u>		
Rental income:		
Investment properties	14.1	6.3
Properties held for sale	0.4	5.6
Construction and construction-related income	237.2	128.5
Proceeds from sale of properties	70.0	10.7
Estate management fees	3.4	3.4
Property development consultancy and project management fees	8.9	1.3
Proceeds from sale of financial assets at fair value through profit or loss	103.4	30.4
Other operations including estate agency service	1.5	1.7
	438.9	187.9
	438.9	187.9
 <u>Other income and gains</u>		
Interest income from:		
Bank balances	15.9	2.9
Loans receivable	3.0	5.6
Others	3.2	-
Dividend income from:		
Available-for-sale listed investments	1.6	1.4
Unlisted investments	0.2	-
Fair value gains on investment properties	30.0	80.0
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		
- held for trading	(4.0)	4.3
- designated as such upon initial recognition	126.5	-
Gain on disposal of subsidiaries (note 37(d))	23.2	-
Gain on deemed disposal of interests in the listed associate	-	4.8
Excess over the cost of additional interests in the listed subsidiary	46.4	-
Others	2.5	0.9
	248.5	99.9
	248.5	99.9

Notes to Financial Statements (Cont'd)

6. OTHER OPERATING EXPENSES

Other operating expenses include the following items:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Loss on disposal of interests in the listed subsidiary	–	33.9
Loss on deemed disposal of interests in the listed subsidiary	29.8	–
Loss on deemed disposal of interests in the listed associate	76.8	–
	<u>76.8</u>	<u>–</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Cost of completed properties sold	32.7	7.0
Cost of inventories sold and services provided	5.2	3.9
Depreciation	2.2	2.1
Less: Depreciation capitalised in respect of construction contracts	(0.1)	(0.1)
	<u>2.1</u>	<u>2.0</u>
Employee benefits expenses (inclusive of Directors' remuneration disclosed in note 9):		
Wages and salaries*	55.4	44.6
Equity-settled share option expenses	4.2	5.4
Staff retirement scheme contributions	2.9	2.5
Less: Forfeited contributions	–	(0.4)
Net staff retirement scheme contributions	2.9	2.1
	<u>62.5</u>	<u>52.1</u>
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(27.9)	(19.8)
Staff retirement scheme contributions	(1.3)	(0.9)
Add: Forfeited contributions	–	0.1
	<u>33.3</u>	<u>31.5</u>

* Inclusive of an amount of HK\$2.8 million (2006 - HK\$3.0 million) classified under cost of inventories sold and services provided.

Notes to Financial Statements (Cont'd)

GROUP

	2007 HK\$'million	2006 HK\$'million
Auditors' remuneration	1.9	1.9
Write-off of items of property, plant and equipment	0.4	0.1
Impairment of debtors	0.2	–
Minimum lease payments under operating leases:		
Land and buildings	4.6	3.9
Plant and machinery	2.4	1.6
	7.0	5.5
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	(0.5)	(0.4)
Plant and machinery	(2.4)	(1.6)
	4.1	3.5
and after crediting:		
Release of unrealised profit upon disposal of subsidiaries by the listed associate	21.5	–
Gross rental income	14.5	11.9
Less: Outgoings	(2.8)	(2.6)
Net rental income	11.7	9.3

8. FINANCE COSTS

GROUP

	2007 HK\$'million	2006 HK\$'million
Interest in respect of:		
Bank loans wholly repayable within five years	14.1	13.5
Other loans, convertible bonds and promissory notes, wholly repayable within five years	10.3	5.7
	24.4	19.2
Other loan costs	0.1	–
Total finance costs	24.5	19.2

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Fees	1.8	1.7
Other emoluments:		
Salaries and other allowance	5.5	4.1
Performance related/discretionary bonuses	1.4	0.8
Employee share option benefits	3.9	4.6
Staff retirement scheme contributions	0.5	0.4
	<u>13.1</u>	<u>11.6</u>

(a) Independent Non-Executive Directors

The fees paid to the Independent Non-Executive Directors during the year were as follows:

	2007 HK\$'million	2006 HK\$'million
Mr. Anthony Chuang	0.15	0.15
Mr. Ng Siu Chan	0.35	0.35
Mr. Wong Chi Keung	0.35	0.35
	<u>0.85</u>	<u>0.85</u>

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2006 - Nil).

Notes to Financial Statements (Cont'd)

(b) Executive directors and a non-executive director

	Fees HK\$'million	Salaries and other allowances HK\$'million	Performance related/ discretionary bonuses HK\$'million	Employee share option benefits HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
2007						
Executive directors:						
Mr. Lo Yuk Sui	0.20	3.03	0.65	3.10	0.30	7.28
Mr. Kenneth Ng Kwai Kai	0.20	0.70	0.18	0.24	0.05	1.37
Mr. Donald Fan Tung	0.20	0.87	0.26	0.22	0.09	1.64
Mr. Jimmy Lo Chun To	0.20	0.69	0.28	0.24	0.05	1.46
Miss Lo Po Man	0.20	0.16	0.06	0.11	0.01	0.54
	<u>1.00</u>	<u>5.45</u>	<u>1.43</u>	<u>3.91</u>	<u>0.50</u>	<u>12.29</u>
Non-executive director:						
Mrs. Kitty Lo Lee Kit Tai*	-	-	-	-	-	-
	<u>1.00</u>	<u>5.45</u>	<u>1.43</u>	<u>3.91</u>	<u>0.50</u>	<u>12.29</u>
2006						
Executive directors:						
Mr. Lo Yuk Sui	0.20	2.88	0.49	4.07	0.29	7.93
Mr. Jimmy Lo Chun To	0.20	0.59	0.15	0.29	0.04	1.27
Mr. Kenneth Ng Kwai Kai	0.20	0.66	0.15	0.29	0.05	1.35
	<u>0.60</u>	<u>4.13</u>	<u>0.79</u>	<u>4.65</u>	<u>0.38</u>	<u>10.55</u>
Non-executive director:						
Mrs. Kitty Lo Lee Kit Tai	0.20	-	-	-	-	0.20
	<u>0.80</u>	<u>4.13</u>	<u>0.79</u>	<u>4.65</u>	<u>0.38</u>	<u>10.75</u>

* Resigned as a Non-Executive Director on 11th January, 2007 and received Director's fee of HK\$5,480 during the year.

The Independent Non-Executive Directors of the Company were entitled to a total sum of HK\$0.85 million (2006 - HK\$0.85 million) as Directors' fees, including the fees entitled by those Independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2007.

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

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2006 - three) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. The emoluments of the remaining one (2006 - two) individual, who was not a Director, are as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Salaries and other emoluments	1.2	1.9
Performance related/discretionary bonuses	0.2	0.4
Employee share option benefits	0.1	0.4
Staff retirement scheme contributions	0.1	0.2
	1.6	2.9
	1.6	2.9

The emoluments of the remaining one (2006 - two) individual fell within the following bands:

HK\$	2007 Number of individuals	2006 Number of individuals
1,000,001 - 1,500,000	–	1
1,500,001 - 2,000,000	1	1
	1	1
	1	1

11. TAX

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Group:		
Current - Hong Kong		
Provision for tax in respect of profits for the year	1.1	0.9
Overprovision in prior years	–	(0.7)
Current - Overseas		
Overprovision in prior years	–	(0.3)
Deferred tax expenses (note 33)	2.3	8.7
	3.4	8.6
Total tax charge for the year	3.4	8.6

Notes to Financial Statements (Cont'd)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2006 - 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

GROUP		
	2007	2006
	HK\$'million	HK\$'million
Profit before tax	<u>1,428.1</u>	<u>252.9</u>
Tax at the Hong Kong statutory tax rate of 17.5% (2006 - 17.5%)	249.9	44.3
Adjustments in respect of current tax of previous years	–	(1.0)
Profits and losses attributable to associates	(224.0)	(27.2)
Income not subject to tax	(49.7)	(7.0)
Expenses not deductible for tax	25.6	10.0
Tax losses utilised from previous periods	(3.2)	(11.2)
Tax effect of utilisation of tax losses previously not recognised	–	(6.0)
Tax losses not recognised during the year	4.6	6.7
Others	0.2	–
Tax charge at the Group's effective rate of 0.2% (2006 - 3.4%)	<u>3.4</u>	<u>8.6</u>

The share of tax charge attributable to associates amounting to HK\$7.7 million (2006 - HK\$10.9 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2007 includes a loss of HK\$4.5 million (2006 - HK\$7.5 million) which has been dealt with in the financial statements of the Company (note 35(b)).

13. DIVIDENDS

	2007 HK\$'million	2006 HK\$'million
Interim - HK0.05 cent (2006 - HK0.03 cent) per ordinary share	10.7	4.9
Proposed final - HK0.10 cent (2006 - HK0.07 cent) per ordinary share	22.3	12.6
	<u>33.0</u>	<u>17.5</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$758.6 million (2006 - HK\$106.8 million) and on the weighted average of 19,789.9 million (2006 - 16,509.1 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2007 is based on the profit for the year attributable to equity holders of the parent, adjusted for (i) the decrease in the Group's proportionate interest in the earnings of Paliburg Holdings Limited ("PHL"), the listed subsidiary of the Company, and its subsidiaries (the "PHL Group") of HK\$60.9 million assuming all outstanding convertible bonds (including optional convertible bonds) of the RHIHL Group and all convertible preference shares of RHIHL were converted into, and the subscription rights attaching to all outstanding warrants of RHIHL were exercised to subscribe for, ordinary shares of RHIHL at the beginning of the year, all outstanding share options of PHL were exercised to subscribe for ordinary shares of PHL at the beginning of the year and the subscription rights attaching to all outstanding warrants of PHL were exercised to subscribe for ordinary shares of PHL at the date of issue; and (ii) the interest savings on the convertible bonds of HK\$1.3 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into ordinary shares of the Company at the beginning of the year. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 4,966.4 million that would be issued assuming (i) all the 2,507.8 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of the year; and (ii) all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into ordinary shares of the Company at the beginning of the year; (iii) all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year; and (iv) the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year. The exercise price of the share options of RHIHL outstanding during the year is higher than the average market price of the ordinary shares of RHIHL and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2006 was based on the profit for that year attributable to equity holders of the parent, adjusted for (i) the decrease in the Group's proportionate interest in the PHL Group's earnings of HK\$9.9 million (as restated) assuming all outstanding convertible bonds (including optional convertible bonds) of the RHIHL Group were converted into, and the subscription rights attaching to all outstanding warrants of RHIHL were exercised to subscribe for, ordinary shares of RHIHL at the beginning of that year and all outstanding share options of PHL were exercised to subscribe for ordinary shares of PHL at the beginning of that year; and (ii) the interest savings on the convertible bonds of HK\$4.7 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into ordinary shares of the Company at the beginning of that year. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue during that year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 5,814.0 million that would be issued assuming (i) all the 3,527.0 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of that year; and (ii) all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into ordinary shares of the Company at the beginning of that year. The conversion of the outstanding convertible preference shares of RHIHL was anti-dilutive for that year and was not included in the calculation of diluted earnings per ordinary share. In addition, the exercise prices of the warrants of the Company and the share options of the Company and RHIHL outstanding during that year were higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold properties HK\$'million	Leasehold improvements, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Total HK\$'million
31st December, 2007				
At 31st December, 2006 and at 1st January, 2007:				
Cost	1.1	13.9	1.4	16.4
Accumulated depreciation	(0.3)	(9.8)	(0.7)	(10.8)
Net carrying amount	<u>0.8</u>	<u>4.1</u>	<u>0.7</u>	<u>5.6</u>
At 1st January, 2007, net of accumulated depreciation	0.8	4.1	0.7	5.6
Additions	–	1.0	0.8	1.8
Disposals/Write-off	–	–	(0.5)	(0.5)
Write-back of depreciation upon disposals/write-off	–	–	0.1	0.1
Depreciation provided during the year	–	(2.0)	(0.2)	(2.2)
At 31st December, 2007, net of accumulated depreciation	<u>0.8</u>	<u>3.1</u>	<u>0.9</u>	<u>4.8</u>
At 31st December, 2007:				
Cost	1.1	14.9	1.7	17.7
Accumulated depreciation	(0.3)	(11.8)	(0.8)	(12.9)
Net carrying amount	<u>0.8</u>	<u>3.1</u>	<u>0.9</u>	<u>4.8</u>

Notes to Financial Statements (Cont'd)

GROUP

	Leasehold properties HK\$'million	improvements, furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Total HK\$'million
31st December, 2006				
At 1st January, 2006:				
Cost	1.1	16.1	1.4	18.6
Accumulated depreciation	(0.3)	(11.0)	(0.7)	(12.0)
Net carrying amount	<u>0.8</u>	<u>5.1</u>	<u>0.7</u>	<u>6.6</u>
At 1st January, 2006, net of accumulated depreciation	0.8	5.1	0.7	6.6
Additions	–	1.0	0.2	1.2
Disposals/Write-off	–	(3.2)	(0.2)	(3.4)
Write-back of depreciation upon disposals/write-off	–	3.1	0.2	3.3
Depreciation provided during the year	–	(1.9)	(0.2)	(2.1)
At 31st December, 2006, net of accumulated depreciation	<u>0.8</u>	<u>4.1</u>	<u>0.7</u>	<u>5.6</u>
At 31st December, 2006:				
Cost	1.1	13.9	1.4	16.4
Accumulated depreciation	(0.3)	(9.8)	(0.7)	(10.8)
Net carrying amount	<u>0.8</u>	<u>4.1</u>	<u>0.7</u>	<u>5.6</u>

The leasehold properties are held under medium term leases and are situated in Hong Kong.

16. INVESTMENT PROPERTIES

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Carrying amount at 1st January	350.3	0.3
Transfer from properties held for sale	–	270.0
Gain from fair value adjustments	30.0	80.0
	<hr/>	<hr/>
Carrying amount at 31st December	380.3	350.3
	<hr/> <hr/>	<hr/> <hr/>

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK\$'million
Long term leases	380.2
Medium term lease	0.1
	<hr/>
	380.3
	<hr/> <hr/>

The Group's investment properties were revalued on 31st December, 2007 by independent professionally qualified valuers with an RICS qualification at HK\$380.3 million, on an open market, existing use basis. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

At 31st December, 2007, the Group's investment property with a carrying value of HK\$380.0 million (2006 - HK\$350.0 million) was pledged to secure banking facilities granted to the Group.

17. GOODWILL

The amounts of the goodwill capitalised as an asset and recognised in the consolidated balance sheet arising from the acquisition of additional interests in the listed and unlisted subsidiaries, are as follows:

	GROUP
	HK\$'million
At 1st January, 2006, 31st December, 2006 and 2007:	
Cost	449.6
Accumulated impairment	(247.6)
	<hr/>
Net carrying amount	202.0
	<hr/> <hr/>

Impairment testing of goodwill

As at 31st December, 2007, the carrying amount of goodwill relates to the acquisition of additional interests in PHL, which is allocated to one cash generating unit, the PHL Group. The recoverable amount of the PHL Group is determined based on fair value, determined with reference to its audited net assets value adjusted for its interest in the listed associate revalued to reflect the share of the underlying net assets attributable to the interest held by that listed associate in Regal REIT based on Regal REIT's reported net assets attributable to its unitholders at the balance sheet date.

18. PROPERTY HELD FOR FUTURE DEVELOPMENT

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
Medium term leasehold land in Hong Kong, at cost:		
At 1st January	26.7	26.7
Disposal of subsidiaries (note 37(d))	(26.7)	–
	<hr/>	<hr/>
At 31st December	–	26.7
	<hr/> <hr/>	<hr/> <hr/>

19. INTERESTS IN ASSOCIATES

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Listed and unlisted companies:		
Share of net assets	3,878.6	2,550.9
Goodwill on acquisition	284.3	54.0
	4,162.9	2,604.9
Loans to associates	156.0	156.4
Amounts due from associates	236.5	223.2
Amount due to an associate	(2.7)	(2.5)
	4,552.7	2,982.0
Less: Provision for impairment	(0.4)	(0.4)
	4,552.3	2,981.6
Share of net assets of the listed associate	3,654.7	2,308.3
Market value of an associate listed in Hong Kong	3,044.3	2,865.6

Goodwill

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Cost and carrying amount at 1st January	54.0	54.0
Acquisition of additional interests in the listed associate	230.3	–
Cost and carrying amount at 31st December	284.3	54.0

The loans to associates are unsecured, interest-free and not repayable within one year. The carrying amounts of these loans approximate to their fair values.

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

The share of net assets represents the share attributable to the Group before the Group's minority interests therein.

Notes to Financial Statements (Cont'd)

Details of the Group's principal associates are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group		Principal activities
			2007	2006	
Regal Hotels International Holdings Limited ⁽²⁾	Bermuda	Ordinary shares of HK\$0.01 each	45.2 ⁽¹⁾	45.4 ⁽¹⁾	Investment holding
		Preference shares of US\$10 each	20.5 ⁽¹⁾	20.5 ⁽¹⁾	
Hang Fok Properties Limited ("Hang Fok") ⁽³⁾	British Virgin Islands	Ordinary shares of US\$1 each	50.0 ⁽¹⁾	50.0 ⁽¹⁾	Investment holding
Cheerjoy Development Limited*	Hong Kong	Ordinary shares of HK\$1 each	30.0 ⁽¹⁾	30.0 ⁽¹⁾	Property development
Smart Tactic Limited*	Hong Kong	Ordinary shares of HK\$1 each	30.0 ⁽¹⁾	30.0 ⁽¹⁾	Distribution of security systems and software
Regala Management Limited	Hong Kong	Ordinary shares of HK\$1 each	25.0 ⁽¹⁾	25.0 ⁽¹⁾	Light refreshment operation

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

- (1) The percentage of equity interest represents equity interest attributable to the PHL Group.
- (2) The RHIHL Group is engaged in the business activities of hotel ownership/operation and management, property investment and other investments. During the year, the RHIHL Group disposed of its hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of RHIHL. The ordinary shares of RHIHL are listed on The Stock Exchange of Hong Kong Limited.
- (3) The major asset of Hang Fok is its 59% equity interest in each of two sino-foreign joint ventures, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. (collectively, the "Investee Companies") established in Beijing, the People's Republic of China (the "PRC"), which are engaged in a property development project in Beijing, PRC.

In February 2006, one of the Investee Companies formally entered into two new land grant contracts in respect of certain portions of the relevant land site (the "Land Grant Contracts"). The land premium payable under the Land Grant Contracts was subsequently fully settled and the land use certificates were issued by the Land Bureau. Construction work on those portions of the relevant land site has not yet commenced.

Notes to Financial Statements (Cont'd)

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

All associates were indirectly held by the Company.

The summarised financial information of the Group's associates, which have been extracted from their audited consolidated financial statements and/or management accounts, is as follows:

	2007 HK\$'million	2006 HK\$'million
Assets	12,465.8	13,047.6
Liabilities	6,558.5	10,165.6
Revenue	1,780.8	1,262.5
Profit	2,844.4	338.0

20. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Listed investments, at fair value:		
Hong Kong	–	23.8
Elsewhere	9.9	10.8
	9.9	34.6
Unlisted investments, at fair value:		
Carrying value	62.5	57.3
Provision for impairment	(54.5)	(54.5)
	8.0	2.8
	17.9	37.4

During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to HK\$0.7 million (2006 - gross gain of HK\$41.4 million, of which HK\$35.8 million was removed from equity and recognised in the income statement for that year).

The fair values of listed investments are based on quoted market prices. The fair values of unlisted investments have been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated equity, are reasonable, and that they are the most appropriate values at the balance sheet date.

As at 31st December, 2006, certain of the Group's listed investments with a carrying value of HK\$17.5 million were pledged to secure the Group's bank and other borrowings.

21. LOANS RECEIVABLE

The balance represents long term mortgage loans granted by the PHL Group to purchasers in connection with the sale of its properties. The loans are secured by the second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at Hong Kong prime rate to Hong Kong prime rate plus 2% per annum. The carrying amounts of these loans receivable approximate to their fair values.

22. OTHER ASSETS

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
At cost:		
Deposits with The Stock Exchange of Hong Kong Limited	0.1	0.1
Others	0.1	0.1
	0.2	0.2
	0.2	0.2

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Non-current assets:		
Listed equity investments in Hong Kong, at market value	135.0	–
Unlisted debt investment, at fair value	173.5	–
	308.5	–
Current assets:		
Listed equity investments in Hong Kong, at market value	49.6	19.1
Other unlisted investments, at fair value	88.7	–
	138.3	19.1

The equity and debt investments included under non-current assets at 31st December, 2007 were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments are provided on that basis to the Group's key management personnel.

The investments included under current assets at 31st December, 2006 and 2007 were classified as held for trading.

The unlisted debt investment included under non-current assets represents the investment in convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed company in Hong Kong, in a principal amount of HK\$56.0 million. The convertible bonds are convertible into 800.0 million new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.07 per share. In conjunction with the issue of such convertible bonds, the Group has granted to the Cosmopolitan group certain placement rights, exercisable by the Cosmopolitan group within twelve months from the date of issue (the "Lock-up Period"), to procure potential investors to purchase part or all of the convertible bonds held by the Group. During the Lock-up Period, the Group shall not exercise the conversion rights, and save for the placement rights mentioned above, sell or transfer the convertible bonds to any third parties. In case where the Group disposes of the convertible bonds pursuant to such placement rights or chooses to retain the convertible bonds after an offer has been so procured, the Group would account to Cosmopolitan 70% of the profit arising from the placement of such convertible bonds.

Subsequent to the balance sheet date, the expiry date of the Lock-up Period has been extended to 2nd September, 2008.

The fair values of the unlisted debt and other investments have been estimated by an independent professional valuer or financial institutions using valuation techniques based on quoted market prices of the underlying listed securities.

At the date of approval of these financial statements, the market value of the listed equity investments was approximately HK\$112.7 million and the fair value of the unlisted debt investment was approximately HK\$121.7 million.

24. PROPERTIES HELD FOR SALE

In the prior year, certain of the Group's properties held for sale with carrying amounts of HK\$32.7 million were pledged to secure banking facilities granted to the Group. Such properties were disposed of during the year and the pledge was released.

Certain of the Group's properties held for sale are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

25. INVENTORIES

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
Raw materials	0.1	0.1
Work in progress	3.4	6.6
Finished goods	0.2	0.2
	3.7	6.9
	3.7	6.9

26. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$34.9 million (2006 - HK\$19.9 million) representing the trade debtors of the Group.

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
Trade debtors	40.5	27.0
Impairment	(5.6)	(7.1)
	34.9	19.9
	34.9	19.9

Credit terms

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

An aged analysis of the trade debtors as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Within 3 months	36.3	18.3
Between 4 to 6 months	0.8	0.1
Between 7 to 12 months	0.1	–
Over 1 year	3.3	8.6
	<u>40.5</u>	<u>27.0</u>

The movements in provision for impairment of trade debtors are as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
At 1st January	7.1	7.1
Impairment losses recognised (note 7)	0.2	–
Amounts written off as uncollectible	(1.7)	–
At 31st December	<u>5.6</u>	<u>7.1</u>

The above provision for impairment of trade debtors represents a provision for individually impaired trade debtors with a carrying amount of HK\$6.0 million (2006 - HK\$8.6 million). The individually impaired trade debtors relate to customers that were in financial difficulties and only a portion of the balances is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade debtors that are not considered to be impaired is as follows:

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
Less than 3 months past due	33.8	18.3
4 to 6 months past due	0.7	0.1
	<hr/> 34.5 <hr/>	<hr/> 18.4 <hr/>

Trade debtors that were past due but not impaired relate to a number of diversified customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the balances are amounts due from the Group's listed associate, a jointly controlled entity of the listed associate and related companies of HK\$12.8 million (2006 - HK\$8.5 million), HK\$1.9 million (2006 - HK\$2.0 million) and HK\$3.6 million (2006 - HK\$8.3 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

The balance at 31st December, 2006 also included a loan receivable of HK\$37.0 million which was secured, bore interest at 1% per month and was fully repaid during the year.

27. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In prior years, the Group's interest in Talent Faith Investment Ltd. ("Talent Faith") was classified under interests in associates despite the increase in its equity interest therein from 50% to 100% in 2003, since the Group had entered into an agreement (the "SP Agreement") in that year to dispose of its entire equity interest in Talent Faith and accordingly the control over Talent Faith was considered temporary pending the outcome of the SP Agreement.

As at 31st December, 2005, the SP Agreement had not yet been completed and upon the adoption of HKAS 27 and HKFRS 5 in 2005, Talent Faith was consolidated in the Group's consolidated financial statements and the asset and liability of Talent Faith and its subsidiaries (the "Talent Faith Group") were presented as asset and liability of a disposal group classified as held for sale under current assets and current liabilities, respectively. The consideration of the disposal was settled at 31st December, 2006. However, the SP Agreement was yet to be completed due to a delay caused by events beyond the Group's control. Since the Group remains committed to its plan to dispose of Talent Faith, no reclassification has been made therefor. The consideration received in the amount of HK\$216.7 million was included in "Deposits received" at 31st December, 2006 and 2007.

Notes to Financial Statements (Cont'd)

The major class of the asset and liability of the Talent Faith Group classified as held for sale as at 31st December are as follows:

	2007 HK\$'million	2006 HK\$'million
Asset		
Loan receivable	249.4	249.4
Liability		
Loan from minority shareholders	(98.9)	(98.9)

28. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$14.4 million (2006 - HK\$7.5 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Outstanding balances with ages:		
Within 3 months	14.4	7.4
Between 4 to 6 months	-	0.1
	14.4	7.5

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balance in the prior year were amounts due to the Group's listed associate and related companies of HK\$8.1 million and HK\$11.2 million, respectively, which were unsecured, non-interest bearing and had no fixed terms of repayment.

29. CONSTRUCTION CONTRACTS

GROUP

	2007 HK\$'million	2006 HK\$'million
Gross amount due from contract customers included in debtors, deposits and prepayments	14.8	1.4
Gross amount due to contract customers included in creditors and accruals	(34.8)	(43.1)
	<u>(20.0)</u>	<u>(41.7)</u>
Contract costs incurred plus recognised profits less recognised losses to date	1,734.3	1,673.6
Less: Progress billings	(1,754.3)	(1,715.3)
	<u>(20.0)</u>	<u>(41.7)</u>

At 31st December, 2007, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK\$13.3 million (2006 - HK\$10.9 million).

30. INTEREST BEARING BANK AND OTHER BORROWINGS

GROUP

	2007			2006		
	Effective interest rate (%) p.a.	Maturity	HK\$'million	Effective interest rate (%) p.a.	Maturity	HK\$'million
Current						
Bank loans - secured	4.4 - 6.7	2008	197.0	-	-	-
Other loans - secured	-	-	-	8 - 12	2007	10.3
			<u>197.0</u>			<u>10.3</u>
Non-current						
Bank loans - secured	4.1 - 5.4	2009	50.0	4.9 - 5.7	2008 - 2009	337.9
			<u>247.0</u>			<u>348.2</u>

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	197.0	–
In the second year	50.0	287.9
In the third to fifth years, inclusive	–	50.0
	247.0	337.9
Other loans repayable within one year	–	10.3
	247.0	348.2

All interest bearing bank and other borrowings are in Hong Kong dollars.

The Group's bank and other borrowings are secured by the pledge of certain of the Group's assets as further detailed in note 39 to the financial statements.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

31. EXCHANGEABLE NOTES

Pursuant to the terms of the debt restructuring agreement entered into between the Group, excluding the PHL Group, (the "CCIHL Group") and its financial creditors on 30th September, 2004 (the "Debt Restructuring"), which was completed on 15th December, 2004, exchangeable notes with an aggregate principal amount of HK\$13.8 million (the "Exchangeable Notes") were issued by the Group to certain financial creditors.

The Exchangeable Notes, which were interest-free and for a term of two years commencing from the date of issue (i.e., 15th December, 2004), were redeemable at any time by the Group at their principal amount. They were exchangeable into the ordinary shares of PHL only upon maturity on a mandatory basis at an initial exchange price of HK\$0.25 per share (subject to adjustments).

In the prior year, all Exchangeable Notes were redeemed by the Group at their principal amount.

32. CONVERTIBLE BONDS

In 2005, the Group made an agreement with independent third party purchasers in relation to the issue by the Group of zero coupon guaranteed convertible bonds due 2010, guaranteed by, and convertible into ordinary shares of the Company (the "Convertible Bonds") up to an aggregate principal amount of HK\$240.0 million, comprising firm bonds in an aggregate principal amount of HK\$80.0 million (the "Firm Bonds") and optional bonds of up to an aggregate principal amount of HK\$160.0 million (the "Optional Bonds").

Notes to Financial Statements (Cont'd)

The Convertible Bonds, if fully subscribed for and issued, were convertible into a total of 2,400.0 million new ordinary shares of the Company at the initial conversion price of HK\$0.10 per ordinary share (subject to adjustments). In 2005, the Firm Bonds were subscribed for and issued.

The Firm Bonds were unsecured, non-interest bearing and were due for repayment at 127.63% of the principal amount in 2010, representing a yield to maturity of 5% per annum. The holders of the Firm Bonds had been granted the put options which allowed them to require the Group to redeem all or part of the Firm Bonds at an amount equal to 115.76% of the principal amount in 2008.

During the years ended 31st December, 2006 and 2007, the Firm Bonds in an aggregate principal amount of HK\$5.0 million and HK\$75.0 million were converted into a total of 50.0 million and 750.0 million new ordinary shares of the Company, respectively.

The Optional Bonds, if subscribed and issued, were not redeemable by the Group, nor the holders would be granted put options which would allow them to require the Group to redeem all or part of the Optional Bonds. Unless previously converted, any outstanding Optional Bonds were to be converted into new ordinary shares of the Company mandatorily on the aforesaid basis at maturity.

During the year, the Optional Bonds in an aggregate amount of HK\$160.0 million were fully subscribed and converted into a total of 1,600.0 million new ordinary shares of the Company.

The fair value of the liability component of the issued Firm Bonds was determined using a market rate for an equivalent non-convertible bond. The effective interest rate on the liability component of the issued Firm Bonds was 6.5% per annum. The residual amount was recognised as the equity component and was included in shareholders' equity.

The Firm Bonds issued in the prior year have been split as to the liability and equity components, as follows:

	GROUP	
	Equity component HK\$'million	Liability component HK\$'million
At 1st January, 2006	5.5	74.8
Conversion of HK\$5.0 million of the Firm Bonds	(0.3)	(4.8)
Interest expense	–	4.7
	<hr/>	<hr/>
At 31st December, 2006 and at 1st January, 2007	5.2	74.7
Conversion of HK\$75.0 million of the Firm Bonds	(5.2)	(76.0)
Interest expense	–	1.3
	<hr/>	<hr/>
At 31st December, 2007	<hr/> <hr/>	<hr/> <hr/>

33. DEFERRED TAX

The movements in deferred tax liabilities of the Group for the years ended 31st December, 2007 and 2006 are as follows:

	GROUP			
	Revaluation of investment properties HK\$'million	Accelerated tax depreciation HK\$'million	Tax losses HK\$'million	Total HK\$'million
At 1st January, 2006	–	–	–	–
Deferred tax charged/(credited) to the income statement during the year (note 11)	<u>14.0</u>	<u>0.7</u>	<u>(6.0)</u>	<u>8.7</u>
At 31st December, 2006 and 1st January, 2007	14.0	0.7	(6.0)	8.7
Deferred tax charged/(credited) to the income statement during the year (note 11)	<u>5.2</u>	<u>0.7</u>	<u>(3.6)</u>	<u>2.3</u>
At 31st December, 2007	<u><u>19.2</u></u>	<u><u>1.4</u></u>	<u><u>(9.6)</u></u>	<u><u>11.0</u></u>

The Group has tax losses arising in Hong Kong and the United States of America amounting to HK\$1,422.1 million (2006 - HK\$1,438.7 million) and HK\$212.9 million (2006 - HK\$213.2 million), respectively, as at 31st December, 2007. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. No deferred tax assets in respect of the Group's tax losses have been recognised on account of the unpredictability of future profit streams.

At 31st December, 2007, there was no significant unrecognised deferred tax liability (2006 - Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2007 HK\$'million	2006 HK\$'million
Shares		
Authorised:		
40,000.0 million (2006 - 40,000.0 million) ordinary shares of HK\$0.01 each	400.0	400.0
7,749.3 million (2006 - 7,749.3 million) convertible preference shares of HK\$0.10 each	774.9	774.9
	1,174.9	1,174.9
Issued and fully paid:		
22,222.1 million (2006 - 17,209.7 million) ordinary shares of HK\$0.01 each	222.2	172.1
1,695.4 million (2006 - 2,507.8 million) convertible preference shares of HK\$0.10 each	169.5	250.7
	391.7	422.8
Share premium		
Ordinary shares	1,103.6	306.4

Notes to Financial Statements (Cont'd)

A summary of the movements of the Company's share capital and share premium during the years ended 31st December, 2007 and 2006 is as follows:

	Notes	Authorised		Issued and fully paid		Share premium account
		Number of shares 'million	Amount HK\$'million	Number of shares 'million	Amount HK\$'million	HK\$'million
Ordinary shares						
At 1st January, 2006		40,000.0	400.0	16,416.8	164.2	234.9
Issue of new shares upon conversion of convertible bonds	(i)	-	-	50.0	0.5	4.6
Issue of new shares upon conversion of convertible preference shares	(ii)	-	-	741.7	7.4	66.8
Issue of new shares upon exercise of warrants	(iii)	-	-	1.2	-	0.1
At 31st December, 2006 and at 1st January, 2007		40,000.0	400.0	17,209.7	172.1	306.4
Issue of new shares	(v)	-	-	1,600.0	16.0	504.0
Share issue expenses		-	-	-	-	(20.1)
Issue of new shares upon conversion of convertible bonds	(vi)	-	-	2,350.0	23.5	217.7
Issue of new shares upon conversion of convertible preference shares	(vii)	-	-	812.4	8.1	73.1
Issue of new shares upon exercise of warrants	(viii)	-	-	250.0	2.5	22.5
At 31st December, 2007		<u>40,000.0</u>	<u>400.0</u>	<u>22,222.1</u>	<u>222.2</u>	<u>1,103.6</u>
Convertible preference shares of HK\$0.10 each						
At 1st January, 2006		7,749.3	774.9	3,527.0	352.6	-
Conversion of convertible preference shares	(ii)	-	-	(741.7)	(74.2)	-
Redemption of convertible preference shares	(iv)	-	-	(277.5)	(27.7)	-
At 31st December, 2006 and at 1st January, 2007		7,749.3	774.9	2,507.8	250.7	-
Conversion of convertible preference shares	(vii)	-	-	(812.4)	(81.2)	-
At 31st December, 2007		<u>7,749.3</u>	<u>774.9</u>	<u>1,695.4</u>	<u>169.5</u>	-
Total share capital						
At 31st December, 2007			<u>1,174.9</u>		<u>391.7</u>	<u>1,103.6</u>
At 31st December, 2006			<u>1,174.9</u>		<u>422.8</u>	<u>306.4</u>

Notes:

- (i) On 19th April, 2006, 50.0 million new ordinary shares of HK\$0.01 each were issued upon the conversion of the Firm Bonds in a principal amount of HK\$5.0 million at a conversion price of HK\$0.10 each.
- (ii) On 19th December, 2006, an aggregate of 741.7 million new ordinary shares of HK\$0.01 each were issued upon the conversion of the same number of series C convertible preference shares.
- (iii) During the year ended 31st December, 2006, an aggregate of 1.2 million new ordinary shares of HK\$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at a subscription price of HK\$0.10 per share for a total cash consideration of \$0.1 million, before expenses.
- (iv) In December 2006, all of the 277.5 million series B convertible preference shares were redeemed and cancelled.
- (v) In June 2007, 1,600.0 million new ordinary shares of HK\$0.01 each were issued by the Company at a price of HK\$0.325 per share pursuant to a placing and top-up subscription.
- (vi) During the year, 2,350.0 million new ordinary shares of HK\$0.01 each were issued upon the conversion of the Firm Bonds and Optional Bonds in an aggregate amount of HK\$75.0 million and HK\$160.0 million, respectively, at a conversion price of HK\$0.10 each.
- (vii) During the year, an aggregate of 812.4 million new ordinary shares of HK\$0.01 each were issued upon the conversion of the same number of series C convertible preference shares.
- (viii) During the year, an aggregate of 250.0 million new ordinary shares of HK\$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at a subscription price of HK\$0.10 per share for a total cash consideration of HK\$25.0 million, before expenses.

Convertible Preference Shares

Pursuant to the terms of the Debt Restructuring which was completed on 15th December, 2004, three series of preference shares comprising 4,222.3 million series A shares at an issue price of HK\$0.20 each (the "Series A Shares"), 277.5 million series B shares at an issue price of HK\$0.175 each (the "Series B Shares") and 3,249.5 million series C shares at an issue price of HK\$0.15 each (the "Series C Shares"), (collectively the "Preference Shares") were issued by the Company to certain financial creditors. All Preference Shares are non-voting and not entitled to any income distribution.

Each Series A Share was convertible into one new ordinary share, subject to adjustment, of the Company upon maturity on 15th December, 2005 on a mandatory basis. Under the terms of the Debt Restructuring and the Series A Shares, certain financial creditors had chosen to sell back a total of 392.7 million Series A Shares to the Company immediately after their issuance at a total consideration of HK\$3.9 million. The holders of the remaining 3,829.6 million Series A Shares had the right to sell back those outstanding Series A Shares to the Company at the same price of HK\$0.01 per share on the business day immediately prior to maturity. The Company also had the right to redeem the outstanding Series A Shares at any time prior to maturity at a price of HK\$0.0165 per share.

The fair value of the liability component was estimated at the issuance date by discounting future cash flows required to settle the Series A Shares to their present value at market interest rate.

In December 2005, all of the 3,829.6 million Series A Shares were redeemed and cancelled by the Company.

Each Series B Share was convertible into one new ordinary share, subject to adjustment, of the Company upon maturity on 15th December, 2006 on a mandatory basis. The Company had the right to redeem the outstanding Series B Shares at any time prior to maturity at a price of HK\$0.03 per share but the holders did not have the right to sell back the Series B Shares to the Company.

In December 2006, all of the 277.5 million Series B Shares were redeemed and cancelled by the Company.

Each Series C Share is convertible into one new ordinary share, subject to adjustment, of the Company. The conversion may take place in stages pursuant to the terms of the Series C Shares over a period commencing after the second anniversary of issuance up to 15th December, 2009, the date of maturity on which all outstanding Series C Shares are to be converted on a mandatory basis. The Company has the right to redeem the outstanding Series C Shares at any time prior to maturity at their issue price which is HK\$0.15 per share but the holders do not have the right to sell back the Series C Shares to the Company.

During the years ended 31st December, 2006 and 2007, 741.7 million and 812.4 million Series C Shares were converted into the same number of new ordinary shares of the Company respectively.

The exercise in full of the conversion rights attached to the outstanding 1,695.4 million Preference Shares in issue as at 31st December, 2007 would have, with the present capital structure of the Company, resulted in the issue of a further 1,695.4 million additional ordinary shares.

Share options

The Century City International Holdings Limited Share Option Scheme

The Company operates a share option scheme named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme"). The Century Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Century Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to Financial Statements (Cont'd)

During the year, movements in share options granted by the Company pursuant to the Century Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Exercise price of share options* HK\$
		At 1st January, 2007	Vested during the year	At 31st December, 2007		
	Director					
12th May, 2005	Mr. Lo Yuk Sui					
	Vested:	-	140,000,000	140,000,000	Note	0.12
	Unvested:	350,000,000***	(140,000,000)	210,000,000		
	Total					
	Vested:	-	140,000,000	140,000,000		
	Unvested:	350,000,000	(140,000,000)	210,000,000		

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

** Offer date is the date on which the grant of share options is offered by the Company and deemed the date of grant of the share options unless the grant of the share options is otherwise declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Note:

Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The summarised information on the Century Share Option Scheme is set out as follows:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Purpose: | To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons |
| (ii) Participants: | Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person |
| (iii) Total number of ordinary shares subject to outstanding options under the Century Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2007 and at the date of this report: | 350,000,000 ordinary shares (approximately 1.58% as at 31st December, 2007 and approximately 1.57% at the date of this report) |
| (iv) Maximum entitlement of each participant under the Century Share Option Scheme: | Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period |
| (v) The period within which the shares must be taken up under an option: | From the time when the options become vested to no later than ten years after the offer date |
| (vi) Minimum period for which an option must be held before it can be exercised: | No minimum period unless otherwise determined by the Board at the time of the approval of the grant |

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (vii) Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | N/A |
| (viii) The basis of determining the exercise price: | Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company |
| (ix) The life of the Century Share Option Scheme: | The life of the Century Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015 |

The Paliburg Holdings Limited Share Option Scheme

PHL operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"). The Paliburg Share Option Scheme was adopted by PHL's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Paliburg Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to Financial Statements (Cont'd)

During the year, movements in share options granted by PHL pursuant to the Paliburg Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*					Vesting/Exercise periods of share options	Adjusted exercise price of share options* HK\$ (Note 1)
		At 1st January, 2007	Vested during the year	Exercised during the year	Adjustment during the year (Note 1)	At 31st December, 2007		
Directors								
12th May, 2005	Mr. Lo Yuk Sui							
	Vested:	—	72,000,000	—	8,352,000	80,352,000	Note 2	0.197
	Unvested:	180,000,000***	(72,000,000)	—	12,528,000	120,528,000		
25th July, 2005	Mr. Kenneth Ng Kwai Kai							
	Vested:	—	8,000,000	(500,000)	870,000	8,370,000	Note 2	0.197
	Unvested:	20,000,000	(8,000,000)	—	1,392,000	13,392,000		
25th July, 2005	Mr. Donald Fan Tung #							
	Vested:	—	8,000,000	—	928,000	8,928,000	Note 2	0.197
	Unvested:	20,000,000	(8,000,000)	—	1,392,000	13,392,000		
25th July, 2005	Mr. Jimmy Lo Chun To							
	Vested:	—	8,000,000	—	928,000	8,928,000	Note 2	0.197
	Unvested:	20,000,000	(8,000,000)	—	1,392,000	13,392,000		
25th July, 2005	Miss Lo Po Man #							
	Vested:	—	4,000,000	—	464,000	4,464,000	Note 2	0.197
	Unvested:	10,000,000	(4,000,000)	—	696,000	6,696,000		
Other Employees								
25th July, 2005	Employees, in aggregate							
	Vested:	—	10,800,000	—	1,252,800	12,052,800	Note 2	0.197
	Unvested:	27,000,000	(10,800,000)	—	1,879,200	18,079,200		
Total								
	Vested:	—	110,800,000	(500,000)	12,794,800	123,094,800		
	Unvested:	277,000,000	(110,800,000)	—	19,279,200	185,479,200		

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the share capital of PHL.

** Offer date is the date on which the grant of share options is offered by PHL and deemed the date of grant of the share options unless the grant of the share options is otherwise declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Appointed as Directors of the Company on 11th January, 2007.

Notes:

- (1) During the year, as a result of the completion of the Open Offer pursuant to the prospectus of PHL dated 22nd October, 2007, adjustments were made to the number of ordinary shares to be allotted and issued upon full exercise of the subscription rights attaching to then 276,500,000 outstanding options granted under the Paliburg Share Option Scheme by the increase of an aggregate number of 32,074,000 PHL ordinary shares to 308,574,000 PHL ordinary shares and the exercise prices of all outstanding options were adjusted from HK\$0.22 per PHL ordinary share to HK\$0.197 per PHL ordinary share, all effective from 13th November, 2007.
- (2) Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The summarised information on the Paliburg Share Option Scheme is set out as follows:

- (i) Purpose: To provide PHL with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
- (ii) Participants: Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the PHL Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the PHL Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the PHL Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person

Notes to Financial Statements (Cont'd)

- | | | |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iii) | Total number of ordinary shares subject to outstanding options under the Paliburg Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2007 and at the date of this report: | 308,574,000 PHL ordinary shares (approximately 3.03%) |
| (iv) | Maximum entitlement of each participant under the Paliburg Share Option Scheme: | Not exceeding 1% of the offer ordinary shares of PHL in issue as of the offer date in any 12 month period |
| (v) | The period within which the shares must be taken up under an option: | From the time when the options become vested to no later than ten years after the offer date |
| (vi) | Minimum period for which an option must be held before it can be exercised: | No minimum period unless otherwise determined by the Board at the time of the approval of the grant |
| (vii) | Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | N/A |
| (viii) | The basis of determining the exercise price: | Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of PHL on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of PHL on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of PHL |
| (ix) | The life of the Paliburg Share Option Scheme: | The life of the Paliburg Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015 |

Warrants

At the special general meeting of the Company held on 6th January, 2006, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company to its shareholders, on the basis of one unit of Warrants carrying a subscription right of HK\$0.10 for every five ordinary shares of the Company held by the shareholders on the register of members of the Company on 6th January, 2006.

On 18th January, 2006, Warrants carrying aggregate subscription rights of approximately HK\$328.3 million were issued to the shareholders of the Company. The Warrants confer rights on their holders to subscribe for up to approximately 3,283.3 million new ordinary shares of the Company at the initial subscription price of HK\$0.10 per ordinary share (subject to adjustments), at any time from the date falling 3 months after the date of issue (i.e., 18th April, 2006) to the date falling 7 days prior to the third anniversary of date of issue (i.e., 11th January, 2011).

During the years ended 31st December, 2006 and 2007, Warrants carrying aggregate subscription rights of approximately HK\$0.1 million and HK\$25.0 million were exercised to subscribe for 1.2 million and 250.0 million new ordinary shares of the Company of HK\$0.01 each at a price of HK\$0.10 per share, respectively. At the balance sheet date, the Company had Warrants carrying aggregate subscription rights of approximately HK\$303.2 million remaining outstanding. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 3,032.1 million additional ordinary shares and share premium of HK\$272.9 million (before issue expenses).

Subsequent to the balance sheet date, Warrants carrying aggregate subscription rights of HK\$3.70 were exercised for 37 new ordinary shares of the Company of HK\$0.01 each at a price of HK\$0.10 per share.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 144 to 145.

(b) Company

	Notes	Share premium account HK\$'million	Contributed surplus HK\$'million	Share option reserve HK\$'million	Retained profits HK\$'million	Total HK\$'million
At 1st January, 2006		234.9	1,322.7	1.3	306.1	1,865.0
Issue of new shares upon conversion of convertible bonds	34(i)	4.6	-	-	-	4.6
Issue of new shares upon conversion of convertible preference shares	34(ii)	66.8	-	-	-	66.8
Issue of new shares upon exercise of warrants	34(iii)	0.1	-	-	-	0.1
Redemption of convertible preference shares	34(iv)	-	-	-	19.4	19.4
Equity-settled share option arrangements	34	-	-	2.4	-	2.4
Loss for the year		-	-	-	(7.5)	(7.5)
Interim 2006 dividend	13	-	-	-	(4.9)	(4.9)
Proposed final 2006 dividend	13	-	-	-	(12.6)	(12.6)
At 31st December, 2006 and at 1st January, 2007		306.4	1,322.7	3.7	300.5	1,933.3
Issue of new shares	34(v)	504.0	-	-	-	504.0
Share issue expenses		(20.1)	-	-	-	(20.1)
Issue of new shares upon conversion of convertible bonds	34(vi)	217.7	-	-	-	217.7
Issue of new shares upon conversion of convertible preference shares	34(vii)	73.1	-	-	-	73.1
Issue of new shares upon exercise of warrants	34(viii)	22.5	-	-	-	22.5
Equity-settled share option arrangements	34	-	-	1.8	-	1.8
Loss for the year		-	-	-	(4.5)	(4.5)
Final 2006 dividend		-	-	-	(2.4)	(2.4)
Interim 2007 dividend	13	-	-	-	(10.7)	(10.7)
Proposed final 2007 dividend	13	-	-	-	(22.3)	(22.3)
At 31st December, 2007		1,103.6	1,322.7	5.5	260.6	2,692.4

The contributed surplus represents reserves arising from (i) the group reorganisation in 1989, being the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net assets value of the acquired subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2004.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4(aa) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after vesting.

36. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2007	2006
	HK\$'million	HK\$'million
Unlisted shares, at cost	2,059.0	2,059.0
Amount due from a subsidiary	4,010.5	3,272.9
	6,069.5	5,331.9
Provision for impairment	(2,962.5)	(2,962.5)
	3,107.0	2,369.4

The amount due from a subsidiary is unsecured, interest-free and not repayable within one year. In the opinion of the Directors, this amount is considered as a quasi-equity loan to the subsidiary. The carrying amount of the amount due from a subsidiary approximates to its fair value.

Notes to Financial Statements (Cont'd)

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2007	2006	
Aikford Financial Services Limited	Hong Kong	HK\$2	100	100	Securities investment
Almighty International Limited	British Virgin Islands	US\$1	100	100	Investment holding
Century City BVI Holdings Limited	British Virgin Islands	HK\$10	100	100	Investment holding
Century City Finance Limited	Hong Kong	HK\$2	100	100	Financing
Century City Holdings Limited	Hong Kong	HK\$264,488,059	100	100	Investment holding
Century City (Nominees) Limited	Hong Kong	HK\$2	100	100	Nominee services
Century City Resources Holdings Limited	British Virgin Islands	US\$1	100	—	Investment holding
Century City (Secretaries) Limited	Hong Kong	HK\$2	100	100	Secretarial services
Cityline Finance Limited	Hong Kong	HK\$2	100	100	Financing
Cleerview Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Expert Link Technology Limited	British Virgin Islands	US\$1	100	100	Investment holding
Gentwin Investment Limited	Hong Kong	HK\$2	100	100	Financing
Gold Concorde Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Great City International Limited	British Virgin Islands	US\$1	100	—	Investment holding
Great Milestone Limited	British Virgin Islands	US\$1	100	—	Investment holding

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2007	2006	
Meylink Limited	British Virgin Islands	US\$1	100	100	Investment holding
Smartaccord Limited	British Virgin Islands	US\$1	100	100	Financing and investment holding
Smart City International Limited	British Virgin Islands	US\$1	100	—	Investment holding
Splendour Corporation	British Virgin Islands	US\$1	100	100	Investment holding
Supreme Way Limited	Hong Kong	HK\$1	100	100	Financing
T.M. Nominees Limited	Hong Kong	HK\$2	100	100	Nominee services
Paliburg Holdings Limited	Bermuda	Ordinary - HK\$101,870,966	52.3	53.0	Investment holding
303 Company Limited	Hong Kong	HK\$10,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Security systems and software development and distribution
303 Technology Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Security systems and software development and distribution
Cathay City Property Management, Inc.	U.S.A.	US\$10,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Financing
Chatwin Engineering Limited	Hong Kong	HK\$16,800,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Building construction
Cheer Faith Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Financing

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2007	2006	
Chinatrend (Holdings) Limited	Hong Kong	HK\$10,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Cosmos Best Development Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Management services
Cosmos Gain Investment Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Property development and investment
Everlane Investment Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Property development and investment
Farich Investment Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Finso Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Gain World Investments Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Glaser Holdings Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Granco Development Limited ⁽ⁱⁱⁱ⁾	Hong Kong	HK\$2	–	53.0 ⁽ⁱ⁾	Property development and investment
Grand Equity Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Guo Yui Investments Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
H.P. Nominees Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding and nominee services
Lead Fortune Development Limited ⁽ⁱⁱⁱ⁾	Hong Kong	HK\$2	–	53.0 ⁽ⁱ⁾	Property development and investment

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2007	2006	
Leading Technology Holdings Limited	British Virgin Islands	US\$100	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Linkprofit Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK\$10	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Paliburg Building Services Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK\$100,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Development consultants
Paliburg Development Finance Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Financing
Paliburg Estate Agents Limited	Hong Kong	HK\$20	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK\$20	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Estate management
Paliburg Finance Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Financing
Paliburg International Holdings Limited	Bermuda	HK\$100,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Paliburg Investments Limited	Hong Kong	HK\$526,506,860	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding

Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2007	2006	
Rich Pearl Limited	Hong Kong	HK\$10,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Financing
Sanefix Development Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Property investment
Shenzhen Leading Technology Co., Ltd. ⁽ⁱⁱ⁾	The People's Republic of China	RMB10,000,000	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Security systems and software development and distribution
Sonnix Limited	Hong Kong	HK\$2	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Property development and investment
Taylor Investments Ltd.	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Transcar Investments Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding
Yield Star Limited	British Virgin Islands	US\$1	52.3 ⁽ⁱ⁾	53.0 ⁽ⁱ⁾	Investment holding

(i) The percentages of equity interest represent those attributable to the Group through its shareholdings in PHL.

(ii) This subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

(iii) These subsidiaries were disposed of during the year.

Except for Century City BVI Holdings Limited, all of the above subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the place of their incorporation/registration, except for PHL which is incorporated in Bermuda but operates in Hong Kong.

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

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow/(outflow) from operating activities

	2007 HK\$'million	2006 HK\$'million
Profit before tax	1,428.1	252.9
Adjustments for:		
Finance costs	24.5	19.2
Share of profits and losses of associates	(1,280.0)	(155.4)
Interest income	(22.1)	(8.5)
Dividend income	(1.8)	(1.4)
Loss on disposal of interests in the listed subsidiary	-	33.9
Loss on deemed disposal of interests in the listed subsidiary	29.8	-
Loss/(Gain) on deemed disposal of interests in the listed associate	76.8	(4.8)
Gain on disposal of subsidiaries	(23.2)	-
Release of unrealised profit upon disposal of subsidiaries by the listed associate	(21.5)	-
Depreciation	2.1	2.0
Write-off of items of property, plant and equipment	0.4	0.1
Impairment of debtors	0.2	-
Profit on sale of properties	(37.1)	(3.0)
Fair value gain upon reclassification of a property held for sale to an investment property	-	(70.3)
Fair value gains on investment properties	(30.0)	(80.0)
Fair value gains, net, on financial assets at fair value through profit or loss	(122.5)	(4.3)
Net proceeds from sale of properties	14.0	10.0
Excess over the cost of additional interests in the listed subsidiary	(46.4)	-
Equity-settled share option expenses	4.2	5.4
	(4.5)	(4.2)
Increase in financial assets at fair value through profit or loss	(123.2)	(11.6)
Increase in properties held for sale	-	(2.5)
Decrease/(Increase) in inventories	3.2	(5.4)
Decrease/(Increase) in debtors, deposits and prepayments	9.2	(34.6)
Increase/(Decrease) in creditors and accruals	(7.4)	2.7
Increase in deposits received	1.0	73.2
Cash generated from/(used in) operations	(121.7)	17.6
Hong Kong profits tax refunded/(paid)	0.1	(2.8)
Net cash inflow/(outflow) from operating activities	(121.6)	14.8

(b) Major non-cash transactions

The Group had the following major non-cash transactions:

- (i) During the year, a partial consideration receivable by the PHL Group in the amount of HK\$56.0 million in respect of the disposal of its entire equity interest in a wholly-owned subsidiary indirectly holding a property held for sale was satisfied by the purchaser group issuing to the PHL Group convertible bonds (note 23) in the same principal amount.
- (ii) During the year, 336.0 million new ordinary shares of HK\$0.01 each of PHL were issued in settlement of the consideration of HK\$126.0 million for a share swap of 180.0 million existing issued shares of Cosmopolitan.
- (iii) A partial consideration payable by the PHL Group for the acquisition of convertible bonds issued by the listed associate in the amount of HK\$300.0 million was satisfied by the issue of promissory notes by the PHL Group which were subsequently settled during the year.
- (iv) As detailed in notes 32 and 34(vi) to the financial statements, the Firm Bonds and Optional Bonds in an aggregate amount of HK\$75.0 million and HK\$160.0 million were converted into 750.0 million and 1,600.0 million new ordinary shares of the Company, respectively.
- (v) As detailed in notes 32 and 34(i) to the financial statements, in the prior year, the Firm Bonds in an aggregate amount of HK\$5.0 million were converted into 50.0 million new ordinary shares of the Company.
- (vi) As detailed in note 38(b) to the financial statements, in the prior year, a bank loan of HK\$12.4 million was settled by the transfer of 123.8 million PHL ordinary shares in lieu of cash repayment.
- (vii) In the prior year, a partial consideration receivable by the Group in the amount of HK\$72.5 million under the SP Agreement from the vendor (the "Vendor") in respect of the disposal of the Talent Faith Group, as described in note 27 to the financial statements, was offset against certain liabilities in the same amount due to a related party of the Vendor by an associate of the Group pursuant to the relevant agreements. Accordingly, the consideration receivable in the amount of HK\$72.5 million was considered satisfied (and included as an additional deposit received) and correspondingly, an additional advance to the associate in the same amount was recorded by the Group.

(c) Restricted cash and cash equivalent balances

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$63.3 million (2006 - HK\$4.2 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to Financial Statements (Cont'd)

(d) Disposal of subsidiaries

	2007 HK\$'million	2006 HK\$'million
Net assets disposed of:		
Property held for future development (note 18)	26.7	–
Debtors, deposits and prepayments	0.1	–
	<u>26.8</u>	<u>–</u>
Gain on disposal (note 5)	23.2	–
	<u>50.0</u>	<u>–</u>
Satisfied by:		
Cash	50.0	–
	<u>50.0</u>	<u>–</u>

38. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2007 HK\$'million	2006 HK\$'million
The listed associate:			
Management fee income	(i)	13.0	11.8
Gross construction fee income	(ii)	110.6	23.8
Gross development consultancy fee income	(iii)	8.9	1.1
Gross income in respect of security systems and products and other software	(iv)	3.4	1.4
A jointly controlled entity of the listed associate*:			
Gross construction fee income	(ii)	2.0	1.4
A related company*:			
Advertising and promotion fees (including cost reimbursements)	(v)	0.2	0.4
		<u>0.2</u>	<u>0.4</u>

* Certain directors of these related companies are also the Directors of the Company.

Notes:

- (i) The management fee income included rentals and other overheads allocated by the Company either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of the Company, PHL and RHIHL based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.

- (ii) The construction fee income was received from the RHIHL Group for providing repairs and maintenance and construction works for the hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (iii) The gross development consultancy fee income was charged to the RHIHL Group for advisory, supervisory, architectural and design services provided in connection with the room extension and other renovation projects of the hotel properties of the RHIHL Group. The fees were charged at rates ranging from 4% to 10% of the estimated cost of individual projects.
- (iv) The fees were received from the RHIHL Group for the purchases and maintenance services of the security systems and products and other software installed in its hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.
- (v) The advertising and promotion fees comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual courses of business.

- (b) Other transactions with related parties:

In addition, in order to facilitate the Debt Restructuring, Mr. Y.S. Lo ("Mr. Lo"), the chairman of the Company, provided a personal guarantee in favour of a financial creditor (the "Creditor") in respect of a secured bilateral loan (the "Loan") granted by the Creditor to the Group. Pursuant to such personal guarantee arrangement, Mr. Lo was granted the right to purchase or procure the purchase of the Loan (and that, among other things, (i) the 309.5 million ordinary shares of PHL pledged as collateral for the Loan, and (ii) the benefit of an option to receive 123.8 million ordinary shares of PHL in lieu of cash prepayment or repayment of the Loan shall be transferred to Mr. Lo (or such purchaser as procured by Mr. Lo) together with the Loan) at its principal amount of approximately HK\$12.4 million plus any accrued but unpaid interest from the Creditor at any time within two years from completion of the Debt Restructuring. Upon the acquisition by Mr. Lo of the Loan pursuant to the guarantee arrangement, then certain Exchangeable Notes (note 31) issued to the Creditor under the Debt Restructuring amounting to approximately HK\$6.2 million would be transferred to Mr. Lo.

In 2006, Mr. Lo exercised the right to purchase the Loan at its principal amount of HK\$12.4 million and exercised the option to receive 123.8 million ordinary shares of PHL in lieu of cash repayment of the Loan. Pursuant to the guarantee arrangement, Exchangeable Notes in the amount of HK\$6.2 million was also transferred from the Creditor to Mr. Lo and was subsequently redeemed by the Group at its principal amount.

Mr. Lo is a connected person of the Company. As a result of the above guarantee arrangement, the Creditor was deemed to be a connected person of the Company only for the purposes of this transaction under the Listing Rules and thus the Debt Restructuring constituted a connected transaction which was disclosed in the Company's circular dated 8th November, 2004 and approved by the independent shareholders of the Company at its special general meeting held on 1st December, 2004.

Notes to Financial Statements (Cont'd)

(c) Outstanding balances with related parties:

	Notes	2007 HK\$'million	2006 HK\$'million
Due from associates	(i)	249.3	231.7
Due from a jointly controlled entity of the listed associate	(ii)	1.9	2.0
Due from related companies	(ii)	3.6	8.3
Due to related companies	(iii)	–	(11.2)
Due to the listed associate	(iv)	(2.7)	(10.6)
Loans to associates	(v)	156.0	156.4
		<u>156.0</u>	<u>156.4</u>

Notes:

- (i) Except for an amount of HK\$236.5 million (2006 - HK\$223.2 million) included in interests in associates in note 19 to the financial statements, the remaining balance is included in debtors, deposits and prepayments in note 26 to the financial statements.
- (ii) The amounts are included in debtors, deposits and prepayments in note 26 to the financial statements.
- (iii) The amounts are included in creditors and accruals in note 28 to the financial statements.
- (iv) Except for an amount of HK\$2.7 million (2006 - HK\$2.5 million) included in interests in associates in note 19 to the financial statements, the remaining balance was included in creditors and accruals in note 28 to the financial statements.
- (v) Details of loans to associates are included in note 19 to the financial statements.

(d) Compensation of key management personnel of the Group:

	2007 HK\$'million	2006 HK\$'million
Short term employee benefits	9.9	7.3
Share-based payments	4.0	5.1
Total compensation paid to key management personnel	<u>13.9</u>	<u>12.4</u>

Further details of Directors' emoluments are included in note 9 to the financial statements.

The related party transactions set out in note 38(a)(v) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. Such transactions are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to Rule 14A.33(3)(a) of the Listing Rules.

The related party transactions set out in notes 38(a)(i) to (iv) above did not constitute connected transactions as defined in the Listing Rules to the Company.

39. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's investment properties with a total carrying value of HK\$380.0 million and certain ordinary shares in the listed associate were pledged to secure general banking facilities granted to the Group.

At 31st December, 2006, certain of the Group's investment properties, properties held for sale and available-for-sale investments with a total carrying value of HK\$400.2 million and certain ordinary shares in the listed subsidiary and the listed associate were pledged to secure general banking facilities granted to the Group.

40. CONTINGENT LIABILITIES

At the balance sheet date, the Company had the following contingent liabilities:

	2007 HK\$'million	2006 HK\$'million
Corporate guarantees provided by the Company in respect of:		
Banking facilities granted to a subsidiary	90.0	90.0
Outstanding convertible bonds issued by a subsidiary	—	75.0
	90.0	165.0
	90.0	165.0

As at 31st December, 2006, the banking facilities granted to the subsidiaries subject to guarantees given by the Company were fully utilised.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties (notes 16 and 24) under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
Within one year	9.6	6.8
In the second to fifth years, inclusive	5.4	3.1
	<u>15.0</u>	<u>9.9</u>

(b) As lessee

The Group leases certain office properties, area and machineries under operating lease arrangements. Leases for the office properties and area are negotiated for terms ranging from 2 to 3 years, and those for the machineries are for terms ranging from 1 to 2 years.

At 31st December, 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2007	2006
	HK\$'million	HK\$'million
Within one year	7.0	6.9
In the second to fifth years, inclusive	-	6.1
	<u>7.0</u>	<u>13.0</u>

At the balance sheet date, the Company had no outstanding operating lease commitments.

Notes to Financial Statements (Cont'd)

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007

GROUP

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition			Available-for-sale financial assets	Total
	HK\$'million	- held for trading HK\$'million	Loans and receivables HK\$'million		
Interests in associates (note 19)	-	-	392.5	-	392.5
Available-for-sale investments	-	-	-	17.9	17.9
Loans receivable	-	-	9.7	-	9.7
Trade debtors (note 26)	-	-	34.9	-	34.9
Other financial assets included in debtors, deposits and prepayments	-	-	26.4	-	26.4
Financial assets at fair value through profit or loss	308.5	138.3	-	-	446.8
Time deposits	-	-	439.9	-	439.9
Cash and bank balances	-	-	74.1	-	74.1
	<u>308.5</u>	<u>138.3</u>	<u>977.5</u>	<u>17.9</u>	<u>1,442.2</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Interests in associates (note 19)	2.7
Trade creditors (note 28)	14.4
Other financial liabilities included in creditors and accruals	30.9
Interest bearing bank borrowings (note 30)	247.0
	<u>295.0</u>

Notes to Financial Statements (Cont'd)

2006

GROUP

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK\$'million	Loans and receivables HK\$'million	Available- for-sale financial assets HK\$'million	Total HK\$'million
Interests in associates (note 19)	–	379.6	–	379.6
Available-for-sale investments	–	–	37.4	37.4
Loans receivable	–	14.3	–	14.3
Trade debtors (note 26)	–	19.9	–	19.9
Other financial assets included in debtors, deposits and prepayments	–	67.4	–	67.4
Financial assets at fair value through profit or loss	19.1	–	–	19.1
Time deposits	–	129.8	–	129.8
Cash and bank balances	–	17.6	–	17.6
	19.1	628.6	37.4	685.1
	19.1	628.6	37.4	685.1

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Interests in associates (note 19)	2.5
Trade creditors (note 28)	7.5
Other financial liabilities included in creditors and accruals	35.2
Interest bearing bank and other borrowings (note 30)	348.2
	393.4
	393.4

Notes to Financial Statements (Cont'd)

	COMPANY	
	2007 Loans and receivables HK\$'million	2006 Loans and receivables HK\$'million
Financial assets		
Interests in subsidiaries (note 36)	<u>4,010.5</u>	<u>3,272.9</u>
Financial liabilities		
Financial liabilities included in creditors and accruals	<u>1.5</u>	<u>1.4</u>

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, convertible bonds, other interest bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, 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 Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 30 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	GROUP		
	Change in basis points	Change in profit before tax HK\$'million	Change in equity HK\$'million
2007			
Hong Kong dollar	100	2.5	2.5
2006			
Hong Kong dollar	100	3.4	3.4

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated balance sheet. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and available-for-sale investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 26 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from either the financial market or from realisation of its assets if required.

Notes to Financial Statements (Cont'd)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

GROUP

2007

	Within 1 year or on demand HK\$'million	1 to 2 years HK\$'million	3 to 5 years HK\$'million	Total HK\$'million
Interest bearing				
bank borrowings	197.1	50.0	–	247.1
Trade creditors	14.4	–	–	14.4
Other payables	30.9	–	–	30.9
Due to an associate	2.7	–	–	2.7
	<u>245.1</u>	<u>50.0</u>	<u>–</u>	<u>295.1</u>

2006

	Within 1 year or on demand HK\$'million	1 to 2 years HK\$'million	3 to 5 years HK\$'million	Total HK\$'million
Interest bearing bank and other borrowings	10.3	288.5	50.0	348.8
Trade creditors	7.5	–	–	7.5
Other payables	35.2	–	–	35.2
Due to an associate	2.5	–	–	2.5
	<u>55.5</u>	<u>288.5</u>	<u>50.0</u>	<u>394.0</u>

COMPANY

	2007 Within 1 year or on demand HK\$'million	2006 Within 1 year or on demand HK\$'million
Creditors and accruals	<u>1.5</u>	<u>1.4</u>

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual investments classified as financial assets at fair value through profit or loss (note 23) and available-for-sale investments (note 20) as at 31st December, 2007. The Group's listed investments are valued at quoted market prices and the unlisted debt investment is valued by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security at the balance sheet date.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed security of the unlisted debt investment, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale investments the impact is deemed to be on the available-for-sale investments revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of investments HK\$'million	Change in profit before tax HK\$'million	Change in equity HK\$'million
2007			
Listed investments:			
– Available-for-sale	9.9	–	0.5
– At fair value through profit or loss	184.6	9.2	9.2
Unlisted debt investment	173.5	6.1	6.1
2006			
Listed investments:			
– Available-for-sale	34.6	–	1.7
– At fair value through profit or loss	19.1	1.0	1.0

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31st December, 2007 and 31st December, 2006.

Notes to Financial Statements (Cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank and other borrowings less cash and cash equivalents, and excludes discontinued operations. The gearing ratios as at the balance sheet dates were as follows:

	GROUP	
	2007 HK\$'million	2006 HK\$'million
Interest bearing bank and other borrowings	247.0	348.2
Convertible bonds	–	74.7
Less: Cash and cash equivalents	(514.0)	(147.4)
Net debt/(cash)	(267.0)	275.5
Total assets	6,476.3	4,171.1
Gearing ratio	N/A	6.6%

44. POST BALANCE SHEET EVENTS

In February 2008, the PHL Group completed the subscription for certain zero coupon guaranteed convertible bonds due 2013 issued by the Cosmopolitan group in a principal amount of HK\$100.0 million with an option granted to the PHL Group to subscribe for additional convertible bonds in a further principal amount of HK\$100.0 million. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.60 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th March, 2008.

Independent Auditors' Report



To the shareholders of Century City International Holdings Limited (Incorporated in Bermuda with limited liability)

We have audited the financial statements of Century City International Holdings Limited set out on pages 141 to 230, which comprise the consolidated and company balance sheets as at 31st 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. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st 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.

Ernst & Young Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
27th March, 2008

Schedule of Principal Properties 主要物業表

As at 31st December, 2007

二零零七年十二月三十一日

PROPERTIES FOR DEVELOPMENT AND/OR SALE

發展及/或出售物業

	Description 簡述	Use 用途	Approx. Area 大概面積	Stage of completion (estimated completion date) 完成階段 (預算完成 日期)	Percentage interest attributable to the Company 本公司應佔 權益百分率
(1)	Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong 香港鴨洲東 鴨洲內地段 第129號	Rezoned to "Residential (Group E) 1" 已改劃為 「住宅(戊類)」	Site area - 180,511 sq. ft. 地盤面積— 180,511平方呎	Piling works in progress 打樁工程 在進行中	15.7
(2)	Certain carparking spaces at Villa Art Deco, 9 Town Park Road South, Yuen Long, Hong Kong 香港元朗公園南路9號 藝典居 若干泊車位	Carparking spaces 車位	—	—	52.3
(3)	Certain carparking spaces at Park Royale, Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong 香港元朗公園北路38號 元朗市地段第450號 御豪山莊 若干泊車位	Carparking spaces 車位	—	—	52.3

Schedule of Principal Properties (Cont'd) 主要物業表 (續)

Description 簡述	Use 用途	Approx. Area 大概面積	Stage of completion (estimated completion date) 完成階段 (預算完成 日期)	Percentage interest attributable to the Company 本公司應佔 權益百分率
(4) Development site at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing, PRC 於中國北京市朝陽區朝陽門外大街之發展地盤	Commercial/ office/hotel complex 商業/寫字樓/酒店綜合發展	Construction site area for the whole development - 610,240 sq. ft. 整項發展之建設用地面積 - 610,240平方呎	Development plans approved 發展規劃方案已獲批准 Land Use Right Certificates for the Phase I land site obtained 已取得第一期地塊之土地使用權證	22.4
(5) Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong 香港赤柱黃麻角道88號富豪海灣若干豪華洋房	Residential 住宅	Site area for the whole development - 571,848 sq. ft. Gross floor area of the allocated houses held - approx. 143,430 sq. ft. 整項發展之地盤面積 - 571,848平方呎 所持獲分配洋房之總樓面面積 - 約143,430平方呎	Completed in March 2004 已於二零零四年三月完成	23.6

Schedule of Principal Properties (Cont'd)

主要物業表 (續)

As at 31st December, 2007

二零零七年十二月三十一日

PROPERTIES FOR INVESTMENT

投資物業

Description 簡述	Use 用途	Lease 租約類別	Percentage interest attributable to the Company 本公司應佔 權益百分率
Office floors and certain shop units at 211 Johnston Road, Wanchai, Hong Kong 香港灣仔 莊士敦道211號 寫字樓層及 若干商舖單位	Office/ commercial 寫字樓/ 商業	Long term 長期	52.3

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities, and minority interest of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

Year ended 31st December,

	2007 HK\$'million	2006 HK\$'million	2005 HK\$'million	2004 HK\$'million	2003 HK\$'million
Revenue	<u>438.9</u>	<u>187.9</u>	<u>110.5</u>	<u>712.6</u>	<u>877.8</u>
Operating profit	<u>172.6</u>	<u>116.7</u>	<u>144.9</u>	<u>422.3</u>	<u>236.3</u>
Finance costs	<u>(24.5)</u>	<u>(19.2)</u>	<u>(14.5)</u>	<u>(110.5)</u>	<u>(288.4)</u>
Share of profits and losses of:					
Jointly controlled entity	<u>–</u>	<u>–</u>	<u>–</u>	<u>60.1</u>	<u>206.6</u>
Associates	<u>1,280.0</u>	<u>155.4</u>	<u>376.8</u>	<u>81.9</u>	<u>(3.5)</u>
Profit before tax	<u>1,428.1</u>	<u>252.9</u>	<u>507.2</u>	<u>453.8</u>	<u>151.0</u>
Tax	<u>(3.4)</u>	<u>(8.6)</u>	<u>(2.1)</u>	<u>9.9</u>	<u>65.6</u>
Profit for the year before allocation between equity holders of the parent and minority interests	<u>1,424.7</u>	<u>244.3</u>	<u>505.1</u>	<u>463.7</u>	<u>216.6</u>
Attributable to:					
Equity holders of the parent	<u>758.6</u>	<u>106.8</u>	<u>270.8</u>	<u>419.2</u>	<u>128.5</u>
Minority interests	<u>666.1</u>	<u>137.5</u>	<u>234.3</u>	<u>44.5</u>	<u>88.1</u>
	<u>1,424.7</u>	<u>244.3</u>	<u>505.1</u>	<u>463.7</u>	<u>216.6</u>

Published Five Year Financial Summary (Cont'd)

ASSETS, LIABILITIES AND MINORITY INTERESTS

31st December,

	2007 HK\$'million	2006 HK\$'million	2005 HK\$'million	2004 HK\$'million	2003 HK\$'million
Property, plant and equipment	4.8	5.6	6.6	2.4	6,047.3
Investment properties	380.3	350.3	0.3	0.9	1.7
Prepaid land lease payments	–	–	–	–	1,132.4
Goodwill	202.0	202.0	202.0	260.0	260.5
Negative goodwill	–	–	–	–	(15.1)
Property under development	–	–	–	7.2	7.2
Property held for future development	–	26.7	26.7	26.7	26.7
Interest in a jointly controlled entity	–	–	–	–	1,298.6
Interests in associates	4,552.3	2,981.6	2,700.7	2,136.8	250.2
Available-for-sale investments/Long term investments	17.9	37.4	133.5	206.2	163.5
Financial assets at fair value through profit or loss	308.5	–	–	–	–
Loans and other long term receivable	9.7	14.3	22.0	31.6	109.1
Deposits	10.0	–	–	–	–
Deferred tax assets	–	–	–	–	3.9
Deferred expenditure	–	–	–	–	38.7
Other assets	0.2	0.2	0.3	0.3	0.3
Current assets	990.6	553.0	652.0	390.2	556.4
Total assets	6,476.3	4,171.1	3,744.1	3,062.3	9,881.4

Published Five Year Financial Summary (Cont'd)

31st December,

	2007 HK\$'million	2006 HK\$'million	2005 HK\$'million	2004 HK\$'million	2003 HK\$'million
Current liabilities	(623.7)	(442.5)	(403.8)	(349.8)	(3,241.0)
Interest bearing bank and other borrowings	(50.0)	(337.9)	(148.2)	(79.4)	(3,546.7)
Exchangeable notes	-	-	-	(13.8)	-
Convertible bonds	-	(74.7)	(74.8)	-	-
Advances from minority shareholders of subsidiaries	-	-	-	(34.4)	(42.4)
Liability component of convertible preference shares	-	-	-	-	(159.4)
Deferred tax liabilities	(11.0)	(8.7)	-	-	(48.5)
Other payable	-	-	-	-	(28.7)
Total liabilities	<u>(684.7)</u>	<u>(863.8)</u>	<u>(626.8)</u>	<u>(477.4)</u>	<u>(7,066.7)</u>
Minority interests	<u>(2,541.2)</u>	<u>(1,537.5)</u>	<u>(1,390.8)</u>	<u>(1,147.2)</u>	<u>(3,585.8)</u>

A large, abstract background graphic with a grid, binary code, and a central starburst. The background is a gradient of orange and yellow. There are several concentric circles with binary code (0s and 1s) around them. A central starburst is surrounded by a grid of dots. The overall design is futuristic and data-oriented.

1330210093258775664123998645
112233335466688723566441236
556656850900408709922606444090496699656887745566
22356554011054578995650560605152121336554
1330210093258775664123998645
112233335466688723566441236
556656850900408709922606444090496699656887745566
22356554011054578995650560605152121336554