ANNUAL REPORT
2007

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蜆壳電器工業（集團）有限公司
SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.
(Stock Code:00081)

CONTENTS

DIRECTORS

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Dr. The Hon Leo Tung-Hai LEE, *GBM, GBS, Cav Gr Cr, OBE, Chev Leg d'Hon, Comm Leopold II, LLD, JP (**)*
Mr. Shiu-Kit NGAI, *SBS, OBE, JP (**)*
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Eddie HURIP
Mr. Simon YUNG Kwok Choi (*)
Mr. Peter WONG Chung On (**)
Mr. Peter LAM (**)

(*) *Non-executive Director*
(**) *Independent non-executive Directors*

BANKERS

Bank of America, N.A.
The Hongkong & Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank, Hong Kong Branch

SOLICITORS

Woo, Kwan, Lee & Lo

COMPANY SECRETARY

Mr. Peter Lee Yip Wah

REGISTERED OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong

AUDITORS

Grant Thornton

SHARE REGISTRARS

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

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the equity holders of the Company for the year ended 31st December, 2007 amounted to HK$434,359,000. Basic earnings per share were HK$0.8266.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK$0.12 per share for the year ended 31st December, 2007. This proposed final dividend, subject to approval by the Shareholders of the Company at the annual general meeting to be held on Tuesday, 20th May, 2008, will be payable on Tuesday, 27th May, 2008 to the Shareholders on the Register of Members of the Company on Tuesday, 20th May, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 16th May, 2008 to Tuesday, 20th May, 2008, both days inclusive, during which period no transfer of the Company's shares will be effected. In order to qualify for the proposed final dividend and to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 15th May, 2008.

BUSINESS REVIEW

Ceiling Fans, Table Fans

Overall performance of the Group's ceiling fans business has recovered in 2007 given the more stable material cost conditions as compared to 2006. Under fierce market competition, the Group was unable to maintain its sales and profit margin in the North American markets, especially in the US market. Sales to the European markets were stable while businesses in the Australian, Middle Eastern, African and South American markets increased. External factors including the continual appreciation of the Renminbi, reduction in export tax rebates and a slowing US economy etc. will affect business performance in 2008. The Group will continue to develop new opportunities, explore new emerging markets and take cost control measures to improve profitability.

Due to the expiration of a long term agency agreement, the table fan business was closed down completely at the end of 2007.

Optics and Imaging

The Group's laser scanner and fuser EMS business recorded an approximately 56% increase in revenue in 2007. It is expected that this line of business will continue to enjoy moderate growth rate with the addition of new models. The new paper handling options project has successfully completed its test run and mass production is expected to commence in the third quarter of 2008. Following the implementation of "Cell Manufacturing" technology in 2007, the division will implement "Lean Manufacturing" system in 2008 to enhance its overall operating efficiency and reinforce cost reduction.

Electric and Electronics Contract Manufacturing

The contract manufacturing business for vacuum cleaner recorded a small increase in revenue in 2007. As technical problems delayed the launching of the new rechargeable work lights product and sales in other products decreased, the overall electric and electronics contract manufacturing business recorded only 18% increase in revenue in 2007. With initiations of new projects and the implementation of "Cell Manufacturing" technology to improve production efficiency, it is anticipated that business will grow steadily in 2008.

Electric Wire and Cable

The electric wire and cable company reported a decrease in profit in 2007. The company's sales were affected by rising copper prices during the year, resulting in a drop in its revenue. The company will continue to control costs to maintain competitiveness and business is anticipated to be stable in 2008.

Taxi Operation

Under the new guidance from the Guangzhou transportation authority, the company has started adopting the new rental operating model gradually. Under this new operating model, the company will need to increase its vehicle purchases expenditures and per vehicle rental income and operating profit will also increase. The Guangzhou economy is expected to remain robust and the company foresees the taxi business will generate stable income in 2008. The company plans to increase capital expenditure to purchase new vehicles, acquire new licenses and build its own parking and maintenance facilities to support its expansion. The company will focus more on its training for drivers to improve their service quality level and strengthen its presence in the taxi business arena.

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou was steady and an 8% increase was recorded. The retail properties are fully leased and there is also a healthy waiting list of potential tenants. The Group expects the 2008 retail properties rental income to grow at a similar rate as in 2007. The office rental income in 2007 was stable with a few office units being sold for profit. The Group expects the 2008 office properties rental income to increase with rising rental rates.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. Discussions are continuing with the current tenant for a prospective plan for an expansion phase development; progress has been slower than anticipated pending the tenant's completion of its expansion requirement assessment.

For the office complex in Livermore, California, rental income increased by 22% in 2007 in comparison to 2006 and the occupancy rate was stable at around 90%. With the sub-prime crisis affecting the US property market, the original plan to dispose of this property has been delayed until the US property market recovers.

An agreement for the sale of the Group's 20% interest in a Guangzhou five-star hotel development project, including office and retail facilities with total GFA of about 127,000 sq. m. was signed on 2nd March, 2007. The transaction was completed in May 2007 and total cash proceeds of HK$177,300,000 had been received.

The Group acquired China Ever Bright Real Estate Development Limited ("EBRE") in 2005 and now owns 70% interest. In 2007, EBRE recorded revenue from primarily three development projects and generated profits contribution to the Group. We expect the saleable area to increase in both 2008 and 2009 as various on-going property and land development projects are underway. A review of EBRE's major projects is as follows:

The Ever Bright World Center in Beijing comprises three commercial towers. Tower 2 and Tower 3 were pre-sold in 2006 and the sale was completed with revenue recorded in 2007. Tower 1 is a commercial office building with approximately 48,000 sq. m. of saleable/leaseable area (and additional 400 underground parking spaces); EBRE's headquarters occupies the top floor. EBRE owns 100% of the project.

A portion of the saleable units of Guangzhou Ever Bright Garden Phase E were delivered with revenue being booked in 2007. The remaining pre-sold units are expected to be delivered in 2008. The original Phase F2 of the development with total GFA of about 390,000 sq. m. (saleable/leaseable GFA* of about 350,000 sq. m.) will be split into two phases, J and K. Construction is underway in 2008. In 2007, EBRE purchased all the remaining interest to own 100% of the Guangzhou Ever Bright Garden project company.

EBRE owned 100% interest in the Ever Bright International Plaza project in Heifei; the project comprised total GFA of about 100,000 sq. m. (saleable/leaseable GFA* of about 94,000 sq. m.) and construction was completed. A portion of the saleable units were sold with revenue booked in 2007. The remaining saleable units of the project comprising area in the mixed use commercial-residential building and another commercial building were sold through the disposal of the project company in January 2008 at a consideration of RMB121,000,000.

The R&D office building in the Zhang Jiang High-tech Zone in Pudong, Shanghai was completed in 2007. The project comprises total GFA of about 17,000 sq. m. (saleable/leaseable GFA* of about 14,000 sq. m.) and about 80% of the space has been leased. EBRE owns 65% interest in this project.

During the year, EBRE acquired the remaining interest of the commercial and residential development project located in Haidian district in Beijing with total GFA of about 120,000 sq. m. (saleable/leaseable GFA* of about 110,000 sq. m.). EBRE now owns 100% of the project. Pre-sale for the project has started.

The residential and retail shopping mall development project located in Haizhu district in Guangzhou has total GFA of approximately 210,000 sq. m. (saleable/leaseable GFA of about 150,000 sq. m. and 700 parking spaces). The mall comprising about 80,000 sq. m. is planned to be kept for long term investment. The land parcel is directly connected to an inter-change station of the Guangzhou – Foshan light rail line and the Guangzhou extended No. 2 subway line. This will provide the development with superior shopper traffic advantage. Construction is expected to commence in 2008 with completion targeted in 2010. EBRE owns 100% interest in this project.

Real Estate Investment & Development *(Continued)*
As a result of EBRE's acquisition of the remaining interest of the Guangzhou Ever Bright Garden project company, EBRE's interest in the Guilin project has increased from 54.04% to 65.8%. The project is located next to the Guilin city ring road and along the highway connecting Guilin and Yangshuo. Greenery and leisure facilities are being planned to prepare the site for a resort and residential property development.

The primary land development project in Hohhot, Inner Mongolia obtained government permission to commence work on about 900 mu of land in 2006. Among that, about 170,000 sq. m. of usable land for secondary development has been successfully bid by EBRE in auctions in 2007. The remaining usable land area is planned to be put through to the auction process in 2008. The company has further obtained government permission to commence work on about 1,300 mu of land in 2007. EBRE owns 80% interest of the primary land development project company.

The property development project companies in Hohhot, Inner Mongolia have successfully bid for two parcels of land totaling 170,000 sq. m. of usable land which can be developed into 380,000 sq. m. of residential GFA. EBRE will continue to strategically participate in future land auctions in Hohhot. EBRE owns 100% interest of these secondary property development project companies.

EBRE completed the sale of its 50% interest in the Pazhou exhibition centre development project company in Guangzhou in January 2008. The full consideration of RMB545,000,000 was received.

During the year, EBRE also acquired other new projects to add to its portfolio, the completed acquired interests include: 70% interest in a project located in the northern suburb of Beijing, it is a low density residential development and comprises saleable/leaseable GFA* of about 196,000 sq. m., the project construction is anticipated to start in 2008; 67% interest in a primary land development project in the southern suburb of Beijing consisting of 374,000 sq. m.; 70% interest in a project located in Qingdao in Laoshan District, the project is a residential development with land area of about 67,000 sq. m. and about 137,000 sq. m. of saleable/leaseable GFA*; 90% interest of a residential project in Guangzhou with superior view beside the Pearl River, the project has total saleable/leaseable GFA* of about 65,000 sq. m. and is anticipated to start construction in 2009.

* *Saleable/leaseable area includes carpark area.*

Technology Investment Projects
Internet Automatic Web Migration Software for Enterprises
The re-structuring of Appeon's operations earlier in the year has given rise to a new streamlined organisation. A stable recurring revenue stream and an efficient cost structure have contributed to profitable results. Sales of its flagship automatic Web migration product, Appeon® for PowerBuilder®, have increased several folds in 2007, marking the much anticipated maturity of the product. The company also offers IT outsourcing service, currently with a focus on serving customers using Appeon® or Sybase® products. The company plans to continue increasing its sales worldwide through a channel partnering strategy, thereby keeping costs and risks low.

Computing and Data Storage System
During 2007, Galactic was still facing rigorous competitions in China's IT market. The product development delay of the data storage system has affected its launching schedule. Although the company achieved revenue growth compared to the prior year, it still did not achieve break even. To enhance competitiveness and profit margin, the company shall focus on the development of a new version of proprietary data storage system with more features and target to break even by the end of 2008.

Financial Investment
For the year ended 31st December, 2007, the Group's financial investment activities recorded profit of approximately HK$13,493,000 and the market value of the Group's financial investment holdings amounted to about HK$48,381,000. The activity of this division had been scaled down in the third quarter of 2007 in anticipating of market correction and there is no planning for expansion in 2008.

By Order of the Board
BILLY K YUNG
Chairman

Hong Kong, 3rd April, 2008

Revenue and Operating Results

Revenue for the Group during the year ended 31st December, 2007 reached HK$3,552,030,000 representing an increase of HK$1,998,967,000 or 128.71% compared to HK$1,553,063,000 for the corresponding period last year. Completion of the sales of Tower II and Tower III of the Ever Bright World Center located in Beijing and certain units of Guangzhou Ever Bright Gardens Phase E that took place during the year under review accounted for most of the sharp increase in the Group's revenue.

Profit attributable to equity holders for the year ended 31st December, 2007 surged to HK$434,359,000 from HK$138,833,000 representing an increase of HK$295,526,000 or 212.86% over the corresponding period in 2006. The increase was mainly attributable to (i) gain of approximately HK$107 million arising from acquisition of the minority interests of Guangzhou Ever Bright Gardens Real Estate Development Limited; (ii) a fair value gain totalling approximately HK$93 million on certain investment properties within the Group; (iii) a gain on disposal of an associated company of approximately HK$46 million; (iv) a reversal of provision previously made on a cross guarantee amounting to HK$23 million; and (v) a recoupment of a direct investment previously written down amounting to HK$21 million.

Financial Resources and Liquidity

The Group's financial position remained strong with its financial resources and liquidity position consistently maintained in a healthy state throughout the period under review. Other than the upsurge in receiving orders in the EMS business for 2007 partly offset by the pull-out of a major customer for the Table Fan division as from 1st July, 2006, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

During the period under review, certain bank loans were put in place totalling RMB1,767,000,000 to finance the Group's property development projects in the PRC.

On 26th April, 2007, the Group entered into a subscription agreement with certain independent third parties to subscribe for certain convertible and non-convertible notes in an aggregate principal amount of S$17 million (approximately HK$87.6 million). Details of this transaction are set out in the Circular to shareholders dated 25th January, 2007.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Other than the U.S. and the P.R.C. term loans of approximately US$13,670,000 and RMB534,000,000 respectively which were secured by certain assets of the group located in the United States and Mainland China respectively, all banking facilities of the Group have been arranged on short-term basis.

Apart from the above, there were no material changes to the group's available banking facilities since 31st December, 2006.

Foreign Exchange Exposure

The Group's borrowings were mainly denominated in Hong Kong Dollars, US Dollars and Renminbi. The Group continued to conduct its sales mainly in US Dollars and Renminbi and make payments either in US dollars, Hong Kong Dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedging existed. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2007, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledge deposit to equity attributable to equity holders of the Company of 32.5% (31st December, 2006: 18.4%).

Significant Acquisitions and Disposals

On 2nd March, 2007 the Group entered into a sales and purchases agreement in relation to a disposal of its 20% interest in a property project in Guangzhou, the PRC, comprising a five-star "Westin" hotel in one tower, an office tower and a shopping mall covering a total gross floor area of about 127,000 sq.m. The consideration is approximately HK$177,300,000. Details of this disposal are set out in the Circular to shareholders dated 28th March, 2007.

On 24th April, 2007, the Group entered into a sales and purchases agreement in relation to a disposal of its 50% interest in Guangzhou City Huan Bo Exhibition Company Limited at a consideration of approximately RMB545 million. Completion took place on 29th January, 2008. Details of this disposal are set out in the Circular to shareholders dated 30th May, 2007.

Significant Acquisitions and Disposals *(Continued)*
On 21st May, 2007, the Group entered into a co-operation agreement with certain independent third parties to acquire 90% equity interest in Beijing Huashiboli Property Development Limited ("Huashiboli") at a consideration of around RMB630 million. Huashiboli is the holder of the right to develop a piece of land located in Beijing, PRC for residential and commercial purpose. Details of this acquisition are set out in the Circular to shareholders dispatched on 31st August, 2007.

On 2nd August, 2007, the Group entered into a co-operation agreement with an independent third party to acquire 70% equity interest in Qingdao Yijing Real Estate Development Limited ("Qingdao Yijing") for a consideration totalling RMB560 million. Qingdao Yijing is the holder of the right to develop a piece of land located in Qingdao, PRC for residential purpose. Details of this acquisition are set out in the Circular to shareholders dated 13th September, 2007.

On 9th November, 2007, the Group entered into a Share Transfer Agreement and a Supplemental Agreement to acquire all the remaining 54.1% equity interest in Beijing Zhong Shun Chao Ke Property Development Company Limited. The aggregate consideration is approximately RMB337.62 million. Details of these transactions are set out in the Circular to shareholders dated 12th December, 2007.

On 15th November, 2007, the Group entered into the Equity Transfer Agreement with a substantial shareholder of Guangzhou Ever Bright Gardens to acquire the remaining 42% equity interest in the Guangzhou Ever Bright Gardens for a consideration totalling RMB58,657,000. Details of this acquisition are set out in the Circular to shareholders dated 6th December, 2007.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

Capital Commitments and Guarantee
The group had capital commitments and guarantee totalling HK$1,750,179,000 and HK$1,098,604,000 respectively during the period under review.

Capital Expenditure and Charges on Assets
The Group had a capital expenditure totalling HK$70,000,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,401,000,000 from certain PRC banks during the period under review.

The Group had charges on assets totalling HK$3,477,000,000 during the period under review.

Employees
As at 31st December, 2007, the Group has approximately 4,089 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 3,800 people.

On 29th November, 2007, an indirectly non-wholly owned subsidiary of the Company entered into the option deeds with certain directors and employees of the Group. Details of the share option schemes transaction are set out in the Announcement dated 29th November, 2007.

EXECUTIVE DIRECTORS

Mr. Billy K Yung, aged 54, is the Group Chairman and Chief Executive of Shell Electric Mfg. (Holdings) Co. Ltd., the eldest son of Madam Yung Ho Wun Ching (Executive Director of the Company) and the elder brother of Mr. Simon Yung Kwok Choi (Non-Executive Director of the Company). Mr. Yung received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in USA, Hong Kong and China. He has also over 25 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China.

Madam Yung Ho Wun Ching, aged 76, is the mother of Mr. Billy K Yung (Group Chairman and Chief Executive of the Company) and Mr. Simon Yung (Non-Executive Director of the Company). Madam Yung has been involved in the development of the Group since inception and was appointed as an Executive Director in 1984.

Mr. Leung Chun Wah, aged 61, joined the Group in 1977 and was appointed as an executive director in 1990. Mr. Leung is the General Manager of the ceiling fan division. Mr. Leung took a Bachelor's degree of Business Administration from University of East Asia, Macau. He is also a director in various members of the Group.

Mr. Eddie Hurip, aged 49, joined the Group in 1994 as Deputy General Manager and was appointed as Executive Director in 2006. He holds a Bachelor degree in Electrical Engineering and Computer Science from the University of California, Berkeley and a Master degree in Marshall Global Executive from University of Southern California. Mr. Hurip had served as Vice President of Merrill Lynch & Co. in USA. He has been involved in corporate restructuring and business development for local and international corporations in China for the past 9 years.

NON-EXECUTIVE DIRECTOR

Mr. Simon Yung Kwok Choi, aged 51, was appointed as a Non-Executive Director in 1991. Mr. Yung is the son of Madam Yung Ho Wun Ching (Executive Director of the Company) and the younger brother of Mr. Billy Yung (Group Chairman and Chief Executive of the Company). Mr. Yung holds both a Bachelor's and Master degree of Arts from Stanford University. He is the Chairman of the Venes Group of Companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. The Hon. Leo Lee Tung Hai, GBM, GBS, LLD, JP, aged 86, has been an independent non-executive director of the Company since 1998. Dr. Lee is the Chairman of the Tung Tai Group of Companies and an independent non-executive director or non-executive director of several publicly listed companies in Hong Kong. He is a member of a number of public services committees and heads many social service organizations, including as Vice President of the China Overseas Friendship Association, Chairman of Friends of Hong Kong Association, Adviser of the Advisory Board of the Tung Wah Group of Hospitals and Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals. Dr. Lee served as a Standing Committee Member of the eighth and ninth National Committees of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Selection Committee for the First Government of the HKSAR. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Government of the HKSAR in 1999. Dr. Lee was awarded the highest honour of the Grand Bauhinia Medal in July 2006 by the Government of the HKSAR. In 2007, Dr. Lee has been honoured with the "Icebreaker Award" by The 48 Group Club as a recognition of his contribution to the promotion of Sino-UK trade relations. Dr. Lee has over 50 years of experience in business management.

Mr. Shiu-Kit Ngai, SBS, OBE, JP, aged 83, has been an independent non-executive director since 1998. Mr. Ngai was a Deputy of the 9th National People's Congress of the PRC; a member of The Preparatory & Working Committee for the Hong Kong Special Administrative Region; and also a member of The Selection Committee for the First Government of Hong Kong Special Administrative Region. He served as an Adviser on Hong Kong Affairs to The People's Republic of China; and a member of The Legislative Council of Hong Kong and The Chairman of The Trade & Industry Panel (1985-1997). He has been honoured with awards by O.B.E. of Great Britain and Silver Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Mr. Ngai was the Former President of The Chinese Manufacturers' Association of Hong Kong and is now the permanent Hon. President of The Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Peter Wong Chung On, aged 58, has been appointed as an independent non-executive director in March 2004. Mr. Wong received his Bachelor of Laws Degree and Master of Laws Degree in Chinese and Comparative Law from University of Wolverhampton in United Kingdom and City University of Hong Kong respectively. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is also an associate member of the Hong Kong Institute of Certified Public Accountants. During the period from 1986 to 1990, he was employed by the Group as the Financial Controller and an in-house Financial Consultant. He has approximately 20 years of financial management experience in the manufacturing field before joining the Group. He is now a Solicitor practicing in Peter C.O. Wong & Associates.

Mr. Peter Lam, aged 56, has been appointed as an independent non-executive director in September 2004. Mr. Lam received a Bachelor degree in Civil Engineering from Lehigh University and a Master degree in Construction Management from Stanford University. He is the Permanent Supervisor of The Hong Kong Construction Association and Vice Chairman of Heifer International Hong Kong. He was a Former President of the Hong Kong Construction Association, Former Vice President of Hong Kong Institution of Engineers, Former Committee Member of Institute for Enterprise of The Hong Kong Polytechnic University, Former Director of 'Mother Choice' Association under Community Chest and a member of The Selection Committee for the First Government of Hong Kong Special Administrative Region. He is the President of Lam Construction Company Limited.

SENIOR MANAGEMENT STAFF

Mr. Chow Kai Chiu, David, aged 43, Chartered Financial Analyst, is the Deputy Chief Executive of the Group. Mr. Chow received his Bachelor of Applied Science degree in Computer Engineering and Masters degree in Business Administration from University of Waterloo and York University in Canada respectively. He has previously held positions at First Marathon Securities Limited in Canada, Asian Capital Partners (HK) Limited, and HSBC Private Equity (Asia) Limited in the corporate finance and investment management field.

Dr. Wang Tao Guang, age 43, joined China EverBright Real Estate Development Limited, a subsidiary of the Group in 2005 as a director. Dr. Wang was admitted in Harvard University in 1999 as a post special student (full scholarship) for a post doctor research. Dr. Wang holds a Doctor's degree in Economics, a Master's degree in Economic Law and a Bachelor's degree in Law in the Peking University. He also holds a Master's degree in Finance in the Bowling Green State University in the United States. Dr. Wang has previously held positions at Everbright Securities Corporation Ltd and China Everbright Holdings Ltd (a listed company on HKEX) as Vice President and as Executive Director/General Manager respectively.

Mr. Chu Ka Loy, aged 59, joined the Group in 1993 as Financial Controller of the Group. Mr. Chu has previously held senior financial positions in public listed and private companies for over 10 years. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee Yak Mau, aged 45, is the Deputy Financial Controller of the Group. He received his Master of Business Administration degree in University of Strathclyde. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He has extensive experiences in accounting, corporate finance, manufacturing and project management. Prior to joining the Group, he held positions in management level in the various multi-national enterprises and the companies listed on the main board of Hong Kong.

Mr. Ho Chi Sing, **Spencer**, aged 47, is the Senior Investment Manager of the Group. Mr. Ho holds a Bachelor degree in Laws and Litigation in University of Wolverhampton, United Kingdom, and a Master degree in Systems Management in Lancaster University, United Kingdom. Prior to joining the Group in 1999, he was the fund manager of BOC China Fund. He has over 15 years' working experience in banking and investment management.

Mr. Tang Che Yin, **Benny**, aged 53, is the General Manager of SMC Multi-Media Products Company Limited. Mr. Tang holds a Bachelor's degree of science in engineering and a Master degree of computer science in the University of Hong Kong and the University of Manchester of the United Kingdom respectively. He is a Chartered Engineer and also a member of the Council of Engineer in the United Kingdom. Before joining the Group in 1991, he has over 10 years' working experience in multi-national companies with focus on technical and factory management.

Mr. Wong Yat Sheung, **Nelson**, aged 35, is the General Manager of Galactic Computing Corporation. Mr. Wong received his Bachelor's degree in Computer Engineering from Chinese University of Hong Kong and Master degree in Economic Laws from Peking University. Before joining SMC in 2000, he has previously held position at Hong Kong Monetary Authority in banking supervision and IT management field.

The directors present their annual report and the audited financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, manufacturing and marketing of electrical appliances, property investment and development. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 53 to note 55 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 19.

An interim dividend of HK$0.08 per share amounting to HK$42,039,000 was paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommend the payment of a final dividend of HK$0.12 per share to the shareholders on the register of members on 20th May, 2008, thus giving rise to a final dividend distribution amounting to HK$63,058,000 and the retention of the remaining profit for the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of the Company and its subsidiaries are set out in note 43 to the financial statements.

RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in note 40 to the financial statements.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2007, calculated under section 79B of the Companies Ordinance amounted to HK$63,058,000 (2006: HK$42,039,000).

DONATIONS

During the year, the Group made charitable and other donations totalling HK$3,239,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on page 91.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 90.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Plato POON Chak Sang *(resigned on 1st July, 2007)*
Mr. Eddie HURIP

Non-executive director

Mr. Simon YUNG Kwok Choi

Independent non-executive directors

Dr. The Hon Leo Tung-Hai LEE, *GBM, GBS, Cav Gr Cr, OBE, Chev Leg d'Hon, Comm Leopold II, LLD, JP*
Mr. Shiu-Kit NGAI, *SBS, OBE, JP*
Mr. Peter WONG Chung On
Mr. Peter LAM

In accordance with Article 103 of the Company's Articles of Association, Dr. The Hon Leo Tung-Hai Lee, Mr. Shiu-Kit Ngai and Mr. Leung Chun Wah shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such directors to be independent.

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 8 and 9.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS

(a) In contracts of significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Shares

As at 31st December, 2007, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Billy K Yung	Beneficial Owner	Personal	33,393,000	259,722,084	49.43%
	Interest of child under 18 or spouse *(Note 1)*	Other	216,329,084		
	Interest held jointly with another person *(Note 2)*	Other	10,000,000		
Dr. The Hon Leo Tung-Hai Lee	Beneficial Owner	Personal	3,206,000	3,206,000	0.61%
Mr. Peter Lam	Beneficiary of a trust *(Note 3)*	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial Owner	Personal	53,196,300	63,196,300	12.03%
	Interest of Spouse *(Note 4)*	Family	10,000,000		
Mr.Leung Chun Wah	Beneficial Owner	Personal	1,559,400	1,559,400	0.30%
Mr. Simon Yung Kwok Choi	Beneficial Owner	Personal	39,147,911	43,577,351	8.29%
	Interest of controlled corporation *(Note 5)*	Corporate	3,529,440		
	Interest of spouse *(Note 6)*	Family	900,000		

Notes:

(1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.

(2) These shares are held jointly with his wife, Madam Vivian Hsu.

(3) These shares are held by a trust for the benefit of Mr. Peter Lam.

(4) This interest represents the holding of Shares held by the late Dr. Yung Yau.

(5) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.

(6) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(c) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries, namely, Appeon Corporation, Galactic Computing Corporation and the option deeds of Pan China Land (Holdings) Corporation are set out in note 43 to the financial statements.

(d) Disclosure of other interest

(i) Certain directors held shares in subsidiaries as trustees for the Company.

(ii) Certain directors held the option deeds of Pan China Land (Holdings) Corporation, an indirect 70%-owned subsidiary of the company, as trustee for the benefit of Timely Hero Limited, a wholly owned subsidiary of the Company. Details are set out in note 43(b) to the financial statements.

(iii) During the year ended 31st December, 2007, the Group disposed of a subsidiary to Mr. Billy K Yung, a director of the Company, at a consideration of HK$100,000

Save as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st December, 2007.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a Trust *(Note 1)*	Other	224,437,334	224,437,334	42.71%
Diamond Key Enterprises Inc.	Beneficial Owner *(Note 1)*	Beneficial	143,612,287	143,612,287	27.33%
On Fat Profits Corporation	Beneficial Owner *(Note 1)*	Beneficial	72,716,797	72,716,797	13.84%
Madam Chiu Man	Beneficial Owner Interest of spouse *(Note 2)*	Personal Family	900,000 42,677,351	43,577,351	8.29%
Madam Vivian Hsu	Interest of spouse Interest held jointly with another person *(Note 3)*	Family Other	33,393,000 10,000,000	43,393,000	8.26%
Madam Margaret Yung Siu Chee *(Note 4)*	Beneficial Owner	Personal	28,154,604	28,154,604	5.36%

Notes:

(1) 143,612,287 shares and 72,716,797 shares form part of the 224,437,334 shares held by UBS Trustees (BVI) Limited. Of which, the aggregate of 143,612,287 shares and 72,716,797 shares (i.e.216,329,084 shares) are disclosed in the section headed "DIRECTORS' INTERESTS" above as being held under a trust with Mr. Billy K Yung's family as the beneficiaries. None of the directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.

(2) Madam Chiu Man's shares held under personal interest and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTERESTS" above.

(3) Madam Vivian Hsu's shares held under family interest and other interest are in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the section headed "DIRECTORS' INTERESTS" above.

(4) Madam Margaret Yung Siu Chee is daughter of Madam Yung Ho Wun Ching. She is also a sister of Mr. Billy K Yung and Mr. Simon Yung Kwok Choi.

Other than as disclosed above, there was no person, other than the director of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 43 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

On 15th November, 2007,北京光大房地產開發有限公司 ("Beijing EB Real Estate"), an indirectly 70% owned subsidiary of the Company, entered into the Equity Transfer Agreement with深圳市光大策略投資有限公司 ("Shenzhen EB Strategic") pursuant to which, Beijing EB Real Estate agreed to acquire and Shenzhen EB Strategic agreed to dispose of its remaining 42% equity interest in 廣州市光大花園房地產開發有限公司 ("Guangzhou EB Gardens") for a total payment of RMB58,657,000 (equivalent to approximately HK$60,593,000). Immediately prior to the acquisition, Guangzhou EB Gardens is an indirectly 58% owned subsidiary of the Company. Shenzhen EB Strategic is a substantial shareholder of Guangzhou EB Gardens and Shenzhen EB Strategic is wholly owned by a director of 中國光大房地產開發有限公司 ("EBRE") which is an indirectly 70% owned subsidiary of the Company. Details of this acquisition were set out in the circular to the shareholders of the Company dated 6th December, 2007.

On 29th November, 2007, Terborley Limited ("Grantor"), an indirect non-wholly owned subsidiary of the Company entered into the option deeds with an aggregate of 49 individuals being granted the options ("Grantees") pursuant to which the Grantor has granted to the Grantees the options exercisable during the option period to acquire such maximum percentage of the option shares of Pan China Land (Holdings) Corporation ("Pan China Shares"), an indirect non-wholly owned subsidiary of the Company from the Grantor at the exercise price in accordance with the provisions of the option deeds. Details of this option deeds were set out in the announcement of the Company as at 29th November, 2007.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2007, the five largest suppliers of the Group accounted for approximately 36% of the total purchases of the Group, of which 16% was attributable to the largest supplier and the five largest customers accounted for approximately 73% of the total sales of the Group's turnover, of which 30% was attributable to the largest customer.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2007.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

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

On behalf of the Board

BILLY K YUNG
Chairman

Hong Kong, 3rd April, 2008

This Corporate Governance Report is issued pursuant to Appendix 23 of the Listing Rules.

The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The Board of Directors is pleased to report that throughout the year up to 31st December, 2007, the corporate governance practices of the Group are in compliance with the Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviations set out in the following detailed discussion.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in proper and prudent manner.

The following detailed discussion sets out the manner by which the Group has met the Code Provisions in the Code for the year ended 31st December, 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code during the year ended 31st December, 2007.

BOARD OF DIRECTORS

The Board of Directors (the "Board") comprises nine members, of which four members are executive Directors, one member is a non-executive Director and four members are independent non-executive Directors. Biographical details of the Directors are set out on page 8 of this Annual Report.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

Under the code provision D.1.1, management should report back and obtain prior approval from the board of the Company before making decisions or entering into any commitments on behalf of the Company whenever notifiable and/or connected transactions are involved.

On 21st May, 2007, an indirectly owned subsidiary of the Company entered into co-operation agreement with certain independent third parties to purchase in aggregate 90% equity interest in Beijing Huashiboli Property Development Limited for a total consideration of RMB630,000,000 (the "Acquisition of Huashiboli"). The Acquisition of Huashiboli constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Due to delays in the communication between the Group's staff in the P.R.C. and in Hong Kong, the Company is unable, within a reasonable time, to gather and to ascertain certain required information before it can publish a separate announcement. The Company's board of directors, however, has ratified and announced on 15th August, 2007 the transaction contemplated under the Acquisition of Huashiboli.

On 2nd August, 2007, an indirectly owned subsidiary of the Company entered into co-operation agreement with an independent third party to purchase in aggregate 70% equity interest in Qingdao Yijing Real Estate Development Limited for a total consideration of RMB560,000,000 (the "Acquisition of Qingdao Yijing"). The Acquisition of Qingdao Yijing constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Due to delays in the communication between the Group's staff in the P.R.C. and in Hong Kong, the Company is unable, within a reasonable time, to gather and to ascertain certain required information before it can publish a separate announcement. The Company's board of directors, however, has ratified on 24th August, 2007 and announced on 27th August, 2007 the transaction contemplated under the Acquisition of Qingdao Yijing.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should separate and should not be performed by the same individual. Mr. Billy K Yung is currently the Group Chairman and the Chief Executive of the Company. The Board considers that the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETINGS

Name of director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Mr. Billy K Yung	9/9	N/A	1/1
Dr. The Hon Leo Tung-Hai Lee	9/9	2/2	N/A
Mr. Shiu-Kit Ngai	9/9	2/2	N/A
Madam Yung Ho Wun Ching	5/9	N/A	N/A
Mr. Leung Chun Wah	8/9	N/A	N/A
Mr. Plato Poon Chak Sang (resigned on 1st July,2007)	3/3	N/A	N/A
Mr. Eddie Hurip	5/9	N/A	N/A
Mr. Simon Yung Kwok Choi	9/9	N/A	N/A
Mr. Peter Wong Chung On	9/9	2/2	1/1
Mr. Peter Lam	8/9	2/2	1/1

NOMINATION OF DIRECTORS

The Board of Directors has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

In accordance with Article 103 of the Company's Article of Association, one-third of the Directors will retire from office at the Company's annual general meeting. Dr. The Hon Leo Tung-Hai Lee, Mr. Shiu-Kit Ngai and, Mr. Leung Chun Wah shall retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of the independent non-executive Directors has been appointed for a term of more than three years.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Simon Yung Kwok Choi, the Non-executive director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

Mr. Billy K Yung is the brother of Mr. Simon Yung Kwok Choi. Both of them are the sons of Madam Yung Ho Wun Ching. Save as disclosed above, during the year, none of the other directors has or maintained any financial, business, family or other material, relevant relationship with any of the other directors.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 20th January, 2005. The Remuneration Committee consists of a majority of independent non-executive Directors and its members are:

Mr. Peter Lam *(independent non-executive Director) (Chairman)*
Mr. Peter Wong Chung On *(independent non-executive Director)*
Mr. Billy K Yung *(executive Director)*

The Remuneration Committee is charged with the responsibility of determining the specific remuneration packages of all executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the independent non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Remuneration Committee takes into account the performance of the Group as well as those individual Directors and key executives.

The Remuneration Committee Meeting held considered and approved the pay rise of the executive directors, reviewed the share option scheme and recommended/approved the granting of share option.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the Auditors that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 18.

AUDIT COMMITTEE

The Audit Committee was formed on 22nd September, 1998 to review and supervise the financial reporting process and internal control mechanism of the Company. The Audit Committee is comprised of four members, all of whom are independent non-executive Directors. The members are:

Dr. The Hon Leo Tung-Hai Lee *(Chairman)*
Mr. Shiu-Kit Ngai
Mr. Peter Wong Chung On
Mr. Peter Lam

The Audit Committee has reviewed with management and auditors of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2007.

The amount of audit fee for the year ended 31st December, 2007 was HK$5,171,000 (2006: HK$3,220,000). The amount of non-audit fees payable to the auditors of the Company for the year ended 31st December, 2007 was HK$100,000 (2006: HK$44,000). The Audit Committee is of the view that the auditors' independence was not affected by the provision of these non-audit related services.

The Audit Committee has recommended to the Board of Directors that Grant Thornton, Certified Public Accountants, be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Board has conducted a review of the effectiveness of the system of internal control. The Board considers that the Group's internal control system is satisfactory but there is still some room for improvement.

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Shell Electric Mfg. (Holdings) Company Limited
蜆壳電器工業(集團)有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shell Electric Mfg. (Holdings) Company Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 19 to 89, 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 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 Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

3rd April, 2008

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Revenue	5	**3,552,030**	1,553,063
Cost of sales		**(2,827,559)**	(1,217,911)
Gross profit		**724,471**	335,152
Other income	7	**68,781**	68,433
Distribution and selling expenses		**(65,048)**	(38,918)
Administrative expenses		**(227,391)**	(188,415)
Other operating expenses		**(70,684)**	(42,867)
Other gains/(losses)			
Fair value gain on investment properties		**92,794**	126,659
Fair value loss on share-based payment		**–**	(1,000)
Fair value gain on investments held for trading		**20,779**	54,034
Fair value (loss)/gain on derivative financial instruments		**(8,030)**	1,292
Impairment losses on goodwill		**–**	(1,473)
Impairment losses on other assets		**(5,494)**	(6,949)
Reversal of impairment of financial assets		**21,008**	–
Gain arising on acquisition of minority interests	44(a)	**106,987**	–
Reversal of unutilised provision	37(b)	**23,478**	–
Others		**1,516**	(256)
Operating profit		**683,167**	305,692
Finance costs	8(a)	**(69,284)**	(31,867)
Share of results of associates		**80,512**	53,336
Share of results of jointly controlled entities		**1,635**	(145,350)
Gain on disposal of an associate		**45,302**	–
Profit before income tax	8	**741,332**	181,811
Income tax expense	9	**(198,787)**	(95,416)
Profit for the year		**542,545**	86,395
Attributable to:			
Equity holders of the Company		**434,359**	138,833
Minority interests		**108,186**	(52,438)
		542,545	86,395
Dividends	11	**105,097**	62,058
		HK Cents	*HK Cents*
Earnings per share	12		
– Basic		**82.66**	27.70
– Diluted		**82.55**	27.70

As at 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Non-current assets			
Investment properties	14	**791,956**	708,118
Property, plant and equipment	15	**180,936**	139,024
Prepaid lease rental on land	16	**20,592**	16,621
Goodwill	17	**106,173**	66,643
Other intangible assets	18	**230,813**	219,100
Interests in associates	20	**366,962**	289,383
Interests in jointly controlled entities	21	**232,591**	377,189
Available-for-sale financial assets	22	**7,990**	2,920
Loans receivable	23	**152,668**	166,805
Other receivable		**–**	502
Deposit paid for acquisition of other investment	24	**77,496**	10,139
		2,168,177	1,996,444
Current assets			
Inventories of properties	25	**4,946,397**	1,946,909
Other inventories	26	**113,789**	99,266
Trade and other receivables	27	**1,058,792**	468,483
Prepaid lease rental on land	16	**489**	390
Loans receivable	23	**3,853**	17,787
Amounts due from associates	29	**6,535**	1,075
Amounts due from jointly controlled entities	29	**177,140**	240,349
Amounts due from investees	29	**6,717**	12,013
Amount due from a related party	29	**1,367**	44,203
Amounts due from minority shareholders	29	**44,448**	–
Investments held for trading	30	**48,381**	187,952
Derivative financial instruments	31	**–**	1,292
Pledged deposits	46	**876,858**	–
Restricted cash and deposits	32	**116,288**	–
Cash and cash equivalents	33	**704,716**	488,753
		8,105,770	3,508,472
Assets classified as held for sale	34	**434,442**	156,504
		8,540,212	3,664,976
Current liabilities			
Trade and other payables	35	**2,165,436**	906,353
Sales deposits received		**776,671**	433,230
Amount due to an associate		**–**	101
Amounts due to jointly controlled entities	36	**2,044**	302,576
Amounts due to minority shareholders	36	**164,000**	50,760
Amounts due to related parties	34(a)	**474,439**	–
Consideration payable on acquisition of subsidiaries	44(a) & (b)	**290,473**	–
Consideration payable on acquisition of a jointly controlled entity		**–**	4,977
Provisions	37	**64,733**	23,478
Taxation liabilities		**215,696**	95,199
Derivative financial instruments	31	**6,738**	–
Bank borrowings	38	**1,885,688**	832,434
		6,045,918	2,649,108
Net current assets		**2,494,294**	1,015,868
Total assets less current liabilities		**4,662,471**	3,012,312

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Capital and reserves			
Share capital	39	**262,742**	262,742
Share premium and reserves	40	**2,745,913**	2,180,789
Equity attributable to equity holders of the Company		**3,008,655**	2,443,531
Minority interests		**460,234**	270,762
Total equity		**3,468,889**	2,714,293
Non-current liabilities			
Bank borrowings	38	**673,652**	106,576
Loan from a minority shareholder	41	**3,005**	2,639
Deferred tax liabilities	42	**516,925**	188,804
		1,193,582	298,019
		4,662,471	3,012,312

MR. LEUNG CHUN WAH
Director

MR. EDDIE HURIP
Director

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	14	**22,000**	18,970
Property, plant and equipment	15	**11,877**	12,164
Interests in subsidiaries	19	**586,630**	115
Interest in an associate	20	**–**	101
Available-for-sale financial assets	22	**7,990**	2,920
Deposit paid for acquisition of other investment	24	**77,496**	10,139
		705,993	44,409
Current assets			
Other inventories	26	**2,391**	2,848
Trade and other receivables	27	**18,738**	32,512
Loan receivable	23	**60**	–
Amounts due from subsidiaries	28	**1,984,111**	2,423,107
Amounts due from investees	29	**3,624**	5,332
Pledged deposits	46	**250,000**	–
Cash and cash equivalents		**25,385**	44,741
		2,284,309	2,508,540
Current liabilities			
Trade and other payables	35	**46,065**	39,000
Amounts due to subsidiaries	28	**449,933**	33,324
Amount due to an associate		**–**	101
Amount due to a related party	36	**100,000**	–
Taxation liabilities		**4,037**	–
Bank borrowings	38	**387,463**	372,948
		987,498	445,373
Net current assets		**1,296,811**	2,063,167
Total assets less current liabilities		**2,002,804**	2,107,576
Capital and reserves			
Share capital	39	**262,742**	262,742
Share premium and reserves	40	**1,736,145**	1,841,368
		1,998,887	2,104,110
Non-current liabilities			
Deferred tax liabilities	42	**3,917**	3,466
		2,002,804	2,107,576

MR. LEUNG CHUN WAH
Director

MR. EDDIE HURIP
Director

	Attributable to equity holders of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserve of a subsidiary *HK$'000*	Capital redemption reserve *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Dividend reserve *HK$'000*	Statutory reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1st January, 2006	250,242	581,349	–	43,822	13,020	14,148	1,481	40,039	3,264	1,323,577	2,270,942	410,385	2,681,327
Exchange difference arising on translation of overseas operations	–	–	–	–	–	29,527	53	–	–	–	29,580	4,525	34,105
Exchange difference arising on translation of overseas associates and jointly controlled entities	–	–	–	–	–	5,719	–	–	–	–	5,719	–	5,719
Share of reserve of jointly controlled entities	–	–	–	–	–	–	–	–	2,522	–	2,522	1,982	4,504
Fair value changes on available-for-sale financial assets	–	–	–	–	(13,020)	–	–	–	–	–	(13,020)	–	(13,020)
Exchange effect on deferred tax	–	–	–	–	–	(123)	–	–	–	–	(123)	–	(123)
Net income (expense) recognised directly in equity	–	–	–	–	(13,020)	35,123	53	–	2,522	–	24,678	6,507	31,185
Net profit for the year	–	–	–	–	–	–	–	–	–	138,833	138,833	(52,438)	86,395
Total recognised income and (expense) for the year	–	–	–	–	(13,020)	35,123	53	–	2,522	138,833	163,511	(45,931)	117,580
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(95,806)	(95,806)
Interim dividend declared	–	–	–	–	–	–	–	20,019	–	(20,019)	–	–	–
Dividends paid	–	–	–	–	–	–	–	(60,058)	–	–	(60,058)	–	(60,058)
Final dividend proposed	–	–	–	–	–	–	–	42,039	–	(42,039)	–	–	–
New shares issued on acquisition of additional interest in subsidiaries	12,500	58,750	–	–	–	–	–	–	–	–	71,250	–	71,250
Appropriations	–	–	–	–	–	–	–	–	2,739	(4,853)	(2,114)	2,114	–
At 31st December,2006 and at 1st January, 2007	262,742	640,099	–	43,822	–	49,271	1,534	42,039	8,525	1,395,499	2,443,531	270,762	2,714,293
Exchange difference arising on translation of overseas operations	–	–	–	–	–	70,381	112	–	–	–	70,493	15,726	86,219
Exchange difference arising on translation of overseas associates and jointly controlled entities	–	–	–	–	–	412	–	–	–	–	412	–	412
Net income recognised directly in equity	–	–	–	–	–	70,793	112	–	–	–	70,905	15,726	86,631
Net profit for the year	–	–	–	–	–	–	–	–	–	434,359	434,359	108,186	542,545
Total recognised income and expense for the year	–	–	–	–	–	70,793	112	–	–	434,359	505,264	123,912	629,176
Released upon wind up of a subsidiary	–	–	–	–	–	(1,649)	–	–	(48)	–	(1,697)	–	(1,697)
Deemed acquisition of subsidiaries	–	–	–	–	–	–	140,480	–	–	–	140,480	224,119	364,599
Acquisition of subsidiaries	–	–	–	–	–	–	33,252	–	–	–	33,252	62,502	95,754
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(173,752)	(173,752)
Release upon sales of properties	–	–	–	–	–	–	(33,010)	–	–	–	(33,010)	(47,115)	(80,125)
Interim dividend declared	–	–	–	–	–	–	–	42,039	–	(42,039)	–	–	–
Recognition of share-based payments *(note 43(b))*	–	–	4,913	–	–	–	–	–	–	–	4,913	2,106	7,019
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(2,300)	(2,300)
Dividend paid	–	–	–	–	–	–	–	(84,078)	–	–	(84,078)	–	(84,078)
Final dividend proposed	–	–	–	–	–	–	–	63,058	–	(63,058)	–	–	–
Appropriations	–	–	–	–	–	–	–	–	6,900	(6,900)	–	–	–
At 31st December, 2007	262,742	640,099	4,913	43,822	–	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889

	2007 HK$'000	2006 HK$'000 (Restated)
Operating activities		
Profit before income tax	**741,332**	181,811
Adjustments for:		
Share of results of associates	**(80,512)**	(53,336)
Share of results of jointly controlled entities	**(1,635)**	145,350
Gain on disposal of an associate	**(45,302)**	–
Depreciation and amortisation	**23,608**	18,535
Impairment losses recognised	**19,411**	21,721
(Reversal of allowance)/Allowance of inventories	**(5,443)**	182
Reversal of impairment of financial assets	**(21,008)**	–
Reversal of unutilized provision	**(23,478)**	–
Gain arising on acquisition of minority interests	**(106,987)**	–
Share-based payments	**7,019**	–
Fair value loss/(gain) on investments held for trading	**20,427**	(13,480)
Interest income	**(26,543)**	(29,710)
Finance costs	**69,284**	31,867
Loss on disposal of property, plant and equipment	**758**	103
Property, plant and equipment write off	**146**	576
Exchange difference	**94,291**	13,551
Fair value gain on investment properties	**(92,794)**	(126,659)
Fair value loss/(gain) on derivative financial instruments	**8,030**	(1,292)
Fair value loss on shared-based payment	**–**	1,000
Operating cash flows before movements in working capital	**580,604**	190,219
Decrease/(increase) in inventories of properties	**1,128,173**	(637,998)
Increase in other inventories	**(9,188)**	(10,684)
Increase in trade and other receivables	**(356,553)**	(75,550)
(Increase)/decrease in amounts due from associates	**(5,460)**	17,685
Decrease/(increase) in amounts due from jointly controlled entities	**76,406**	(167,305)
Decrease/(increase) in amounts due from investees	**5,296**	(5,263)
Decrease/(increase) in amount due from a related party	**550,797**	(44,203)
Increase in amounts due from minority shareholders	**(40,651)**	–
Decrease/(increase) in investments held for trading	**119,144**	(68,932)
Decrease in trade and other payables	**(541,643)**	(29,288)
(Decrease)/increase in sales deposits received	**(1,070,166)**	373,467
(Decrease)/increase in amounts due to jointly controlled entities	**(300,532)**	300,558
Increase in amounts due to related parties	**291**	–
Increase/(decrease) in amounts due to minority shareholders	**45,398**	(16,080)
	(398,688)	(363,593)
Cash generated from/(used in) operations	**181,916**	(173,374)
Income tax paid	**(180,751)**	(16,676)
Net cash generated from/(used in) operating activities	**1,165**	(190,050)

	2007 HK$'000	2006 HK$'000 (Restated)
Investing activities		
Proceeds on disposal of a subsidiary	**180**	–
Proceeds on disposal of an associate	**176,892**	–
Loan repayment from associates	**14,254**	61,359
Loan to an associate	**–**	(8,000)
Deposit paid for investment in convertible and non-convertible notes	**(77,496)**	(10,139)
Proceeds on disposal of investment properties	**68,556**	31,420
Proceeds on disposal of property, plant and equipment	**936**	1,384
Interest received	**7,139**	30,018
Dividend received from an associate	**1,040**	1,045
Additions to property, plant and equipment	**(27,288)**	(21,550)
Additions to investment properties	**(3,921)**	(6,268)
Acquisition of subsidiaries	**(521,568)**	(66,270)
Increase in investments in jointly controlled entities	**(222,819)**	(9,953)
Increase in loans receivable	**(3,589)**	(17,431)
Repayment of loans receivable	**20,241**	140,387
Deposit received in respect of assets classified as held for sale	**493,329**	–
Increase in pledged deposits	**(876,858)**	–
Decrease in restricted cash and deposits	**73,254**	–
Amounts recovered from impairment of financial assets	**21,008**	–
Net cash (used in)/generated from investing activities	**(856,710)**	126,002
Financing activities		
New bank borrowings	**2,795,223**	1,348,927
Repayment of bank borrowings	**(1,601,981)**	(1,084,715)
Payment made to redeem cash-settled options	**–**	(7,000)
Dividends paid	**(84,078)**	(60,058)
Interest paid	**(67,150)**	(31,625)
Net cash generated from financing activities	**1,042,014**	165,529
Net increase in cash and cash equivalents	**186,469**	101,481
Cash and cash equivalents at 1st January	**488,753**	376,581
Effect of foreign exchange rate change	**29,494**	10,691
Cash and cash equivalents at 31st December	**704,716**	488,753

1. GENERAL INFORMATION

Shell Electric Mfg. (Holdings) Company Limited (the "Company") is a limited company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") comprise manufacturing and marketing of electric fans and other electrical household appliances and EMS business, investment holding, property investment and development and trading of and investments in securities.

The consolidated financial statements on pages 19 to 89 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31st December, 2007 were approved for issue by the board of directors on 3rd April, 2008.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Impact of new and revised HKFRSs which are effective during the year

The Group has adopted all the new and revised HKFRSs which are first effective during the current financial year and are relevant to the Group. The adoption of these new and revised HKFRSs did not result in significant changes in the Group's accounting policies and had no significant financial impact on the Group's financial statements. Accordingly, no prior period adjustment is required.

The Group has applied the disclosure requirements under the amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures". Certain information presented in prior year under the requirements of HKAS 32 "Financial Instruments: Disclosure and presentation" has been removed and the relevant comparative information based on the requirements of this amendment to HKAS 1 and HKFRS 7 has been presented for the first time in the current year.

2.2 Impact of new and revised HKFRSs which are issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective in the current financial year:

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

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

HKAS 1 (Revised) affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of these amendments on the Group's financial statements.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 Impact of new and revised HKFRSs which are issued but not yet effective *(Continued)*

The revised HKFRS 3 introduced a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Furthermore, it changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised HKFRS 3 and HKAS 27 shall be applied prospectively and will affect future acquisition and transactions with minority interests.

The Group is in the process of assessing the impact of the other new or revised HKFRSs but is not yet in a position to state whether they would have material impact on the Group's financial statements.

2.3 Other changes during the year

In light of the conclusion of the Financial Reporting Standards Committee of HKICPA on the scope of HKAS 12 "Income Taxes" and the nature of PRC land appreciation tax, the directors decided that it is more appropriate to account for and present PRC land appreciation tax as income tax. As a result of this change, PRC land appreciation tax amounting to HK$9,316,000 has been reclassified from cost of sales to income tax in the comparatives of the consolidated income statement of the current year. Certain other comparative figures have been reclassified to conform with the current year's presentation. The above changes have no net impact on result for the year ended 31st December, 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for certain properties, financial assets and financial liabilities which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. Their measurement bases are fully described in the accounting policies below.

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

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All material intercompany transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. For business combination achieved in stages adjustment to fair values relating to previously held interests of the acquirer is a revaluation which is dealt with in the asset revaluation reserve in equity.

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

3.2 Basis of consolidation *(Continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

Acquisitions of minority interests are 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.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of the subsidiaries are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 "Non-current Assets held for Sale and Discontinued Operations" (note 3.9).

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, 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.

Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition reserves of the associates and jointly controlled entities is included in the consolidated reserves.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

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

In the Company's balance sheet, associates and jointly controlled entities are carried at cost less any impairment losses. The results of the associates and jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable.

When an investment in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.9).

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

3.5 Goodwill

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

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and subsequently measured at cost less any impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the investment in associates and jointly controlled entities, respectively, rather than recognised as a separate asset on the consolidated balance sheet.

Goodwill is reviewed for impairment annually at the balance sheet date or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.12). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on the disposal.

3.6 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 the subsidiaries, associates and jointly controlled entities is recognised immediately in the income statement.

3.7 Investment properties

Investment properties are interests in land and buildings 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 purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the balance sheet date. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in income statement. Rental income from investment properties is accounted for as described in note 3.28(v).

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in asset revaluation reserve. On disposal of the property, the asset revaluation reserve is transferred to retained profits as a movement in reserves.

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. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the 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 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.

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

3.8 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	*Annual rates*
Land and buildings *(note 3.11)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%

Residual values, useful lives and 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 arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in the income statement.

3.9 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is 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. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development expenditures

Expenditure incurred on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if the Group can demonstrate the technical feasibility of the intangible asset; how economic benefits are generated from the intangible asset, the availability of resources to complete the development of the intangible asset and the ability to measure reliably the intangible asset. Other development expenditure is recognised as an expense in the period in which it is incurred. Deferred development expenditures are stated at cost less any impairment losses and are amortised on a straight-line basis over the commercial lives of the underlying products.

Taxi licences

Cost incurred in the acquisition of permanent taxi operation licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Shopping mall operating right

Shopping mall operating right represents right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortised over the period of operation of 30 years.

3.11 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 asset, and rental receivable under the operating leases are credited to the income statement on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to the income statement on a straight-line basis over the lease terms.

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

3.11 Operating Leases *(Continued)*

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development and properties held for sale. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to the income statement on completion of development of such properties.

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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

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

A reversal of such impairment is credited to income statement in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.13 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified into one of the following categories: financial assets at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

3.13 Investments and other financial assets *(Continued)*

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on trade date. 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the balance sheet and financial assets designated by the Group on 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 selling 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. Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.28.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at 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 including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured 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 cost. 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 other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being 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. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.28.

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

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

3.14 Impairment of financial assets

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

Financial 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 through the use of an allowance account. The amount of impairment loss is recognised in the income statement of the period in which the impairment occurs. 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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of 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 receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed 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.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in the income statement, is transferred from equity to the income statement. Impairment is recognised for available-for-sale financial assets when there has been a significant or prolonged decline in the fair value below its cost of where other objective evidence of impairment exists.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Impairment losses in respect of debt instruments are reversed through the income statement if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.15 Inventory of properties

Inventory of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. These properties are carried at cost less any impairment losses. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

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

3.17 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. 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. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the balance sheet date are translated into HK$ at exchange rate prevailing on the balance sheet date. Income and expense items are translated into HK$ at the average exchange rate for the year. The resulting exchange differences are dealt with in the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.18 Cash and cash equivalents

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

3.19 Income tax

Income tax comprises current tax 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 income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

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

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary costs incurred in connection with arranging the borrowing.

3.21 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised as an expense in finance costs in the income statement. Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include interest charged on these financial liabilities.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at 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 liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

3.22 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

3.22 Financial guarantee contracts *(Continued)*

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.23 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the year in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit scheme as set out in note 45 are charged as an expense when employees have rendered service entitling them to the contributions.

3.24 Share-based payment transactions

Equity-settled share-based payment

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments e.g. share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

When fair value of equity instruments cannot be estimated reliably, the Group measures the equity instruments at their intrinsic value initially at the date the grantees rendered service and subsequently at each reporting date and when equity instruments are exercised, forfeited or lapsed, with any change in intrinsic value recognised in the income statement.

All equity-settled share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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.

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in income statement with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options are lapsed, the amount in the share option reserve is released directly to retained profits.

Cash-settled share-based payment

The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in income statement.

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

3.25 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

3.26 Equity instruments

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

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.28 Revenue and other income recognition

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

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Sale of properties is recognised as revenue when all of the following criteria are met:

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

Deposits received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits received under current liabilities.

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iv) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(v) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(vi) Licence fee income is recognised when the licence holders' rights to receive payment have been established.

(vii) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

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

3.29 Related parties

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

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

(b) the party is an associate;

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

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) 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 (d) or (e); or

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

Estimates of fair value of investment properties

As disclosed in note 14, the investment properties were revalued at the balance sheet date by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

Impairment of assets

The Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill and other intangible assets are set out in notes 17 and 18.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

Allowance for loans and receivables

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimate of impairment of properties under development

Properties under development are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the properties under development. Management makes judgements on whether such events or changes in circumstances have occurred, and make estimates in determining the recoverable amount.

Estimate of net realisable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at each balance sheet date. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 3.28(ii). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

In making judgement as to whether a property qualifies as investment property, the Group considers whether the property generates cash flows largely independently of the other assets. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgement.

5. REVENUE

An analysis of the revenue, which also represents the Group's turnover, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**1,328,667**	1,245,517
Sales of properties	**2,090,447**	206,185
Property management fee income	**26,468**	11,661
Property rental income	**83,053**	72,909
Taxi licence fee income	**23,395**	16,791
Total revenue	**3,552,030**	1,553,063

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into eight operating divisions – electrical household appliances, electric cables, property leasing, property investment and development, securities trading, car rental, computer hardware and software, and direct investments. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Electrical household appliances	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business
Electric cables	–	manufacturing and trading of electric cables
Property leasing	–	leasing of properties
Property investment and development	–	property investment and development
Securities trading	–	trading of securities
Car rental	–	taxi rental operation
Computer hardware and software	–	development and trading of computer hardware and software
Direct investments	–	direct investment

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments

Segment information about these businesses is presented below:

2007

	Electrical household appliances HK$'000	Electric cables HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	Computer hardware and software HK$'000	Direct investments HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE AND RESULTS										
Segment revenue *(note (1))*	1,272,443	31,145	78,992	2,120,976	–	23,395	17,607	–	7,472	3,552,030
Segment results	71,642	5,510	135,605	460,171	13,493	18,681	(22,816)	14,407	6,678	703,371
Corporate and other unallocated income and expenses										(20,204)
										683,167
Finance costs										(69,284)
Share of results of associates	–	–	74,949	–	–	–	–	5,563	–	80,512
Share of results of jointly controlled entities ("JCE")	–	–	(1,598)	(308)	–	–	3,541	–	–	1,635
Gain on disposal of an associate										45,302
Profit before income tax										741,332
Income tax expense										(198,787)
Profit for the year										542,545
FINANCIAL POSITIONS										
Segment assets:										
Assets classified as held for sale	–	–	–	434,442	–	–	–	–	–	434,442
Other assets	509,871	37,341	782,858	6,708,601	72,338	215,475	27,602	7,980	–	8,362,066
Interests in associates	–	–	312,298	–	–	–	–	54,664	–	366,962
Loans to associates	–	–	152,668	–	–	–	–	–	–	152,668
Interests in JCE	–	–	–	228,270	–	–	4,321	–	–	232,591
Corporate and other unallocated assets										1,159,660
Total assets										10,708,389
Segment liabilities	210,022	2,501	21,373	3,522,555	6,838	51,728	4,303	1,716	1,887	3,822,923
Corporate and other unallocated liabilities										3,416,577
Total liabilities										7,239,500
OTHER INFORMATION										
Capital expenditure *(note (2))*	6,369	151	3,966	42,963	–	12,109	120	–	–	
Depreciation and amortisation	8,405	640	934	7,495	–	1,265	990	–	644	
Impairment losses recognised in income statement	7,678	212	–	4,184	–	–	–	6,900	12	
Allowance/(Reversal of allowance) for inventories	(3,282)	504	–	–	–	–	3,285	–	(5,950)	
Fair value loss on derivative financial instruments	–	–	–	–	8,030	–	–	–	–	
Write off of property, plant and equipment	130	–	–	–	–	2	14	–	–	
Fair value gain on investment properties	–	–	(92,794)	–	–	–	–	–	–	
Gain arising on acquisition of minority interests	–	–	–	(106,987)	–	–	–	–	–	
Reversal of unutilised provision	–	–	–	(23,478)	–	–	–	–	–	
Write back of long outstanding payables	–	–	–	(8,025)	–	–	–	–	–	

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

2006

	Electrical household appliances HK$'000	Electric cables HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	Computer hardware and software HK$'000	Direct investments HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE AND RESULTS										
Segment revenue *(note (1))*	1,190,840	36,520	72,910	217,845	–	16,791	18,157	–	–	1,553,063
Segment results (restated)	56,524	8,079	191,169	52,002	59,101	14,936	(43,084)	(4,870)	–	333,857
Corporate and other unallocated income and expenses										(28,165)
										305,692
Finance costs										(31,867)
Share of results of associates	–	–	25,046	22,541	–	–	–	5,749	–	53,336
Share of results of JCE	–	–	–	(145,350)	–	–	–	–	–	(145,350)
Profit before income tax										181,811
Income tax expense (restated)										(95,416)
Profit for the year										86,395
FINANCIAL POSITIONS										
Segment assets (restated):										
Assets classified as held for sale	–	–	24,914	131,590	–	–	–	–	–	156,504
Other assets	431,477	37,202	618,393	2,768,383	192,621	209,047	33,664	30,116	–	4,320,903
Interests in associates	–	–	239,296	–	–	–	–	49,986	101	289,383
Loans to associates	–	–	164,974	–	–	–	–	–	–	164,974
Interests in JCE	–	–	–	377,189	–	–	–	–	–	377,189
Corporate and other unallocated assets										352,467
Total assets										5,661,420
Segment liabilities (restated)	182,134	4,026	26,889	1,429,177	50	51,487	7,344	1,716	–	1,702,823
Corporate and other unallocated liabilities										1,244,304
Total liabilities										2,947,127
OTHER INFORMATION										
Capital expenditure *(note (2))*	7,695	235	10,100	1,184	–	2,648	431	–	–	
Depreciation and amortisation	7,185	1,062	666	5,071	–	246	1,678	–	–	
Impairment losses recognised in income statement	9,898	–	–	1,172	–	–	1,866	2,229	–	
Allowance/(Reversal of allowance) for inventories	(6,397)	237	–	–	–	–	6,817	–	(475)	
Fair value gain on derivative financial instruments	–	–	–	–	(1,292)	–	–	–	–	
Write off of property, plant and equipment	251	–	–	–	–	15	300	–	–	
Fair value gain on investment properties	–	–	(126,659)	–	–	–	–	–	–	

Notes:

(1) There were no inter-segment sales between different business segments for the years ended 31st December, 2007 and 2006.

(2) Capital expenditure comprises additions to investment properties, property, plant and equipment and intangible assets.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong, other regions of the PRC, Asia other than the PRC, North America (mainly in the United States) and Europe (mainly in the United Kingdom).

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**25,667**	22,164
Other regions of the PRC	**2,905,023**	759,833
Asia, other than the PRC	**49,188**	46,342
North America	**342,196**	538,153
Europe	**105,448**	79,403
Others	**124,508**	107,168
	3,552,030	1,553,063

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital expenditure**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**238,373**	135,425	**2,780**	5,947
Other regions of the PRC	**8,130,614**	3,832,086	**61,252**	14,254
Asia, other than the PRC	**31,859**	28,960	**–**	–
North America	**369,421**	469,557	**4,424**	7,617
Europe	**14,446**	3,927	**–**	–
Others	**11,795**	7,452	**–**	–
	8,796,508	4,477,407	**68,456**	27,818

7. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Interest income on financial assets stated at amortised cost:		
Bank deposits	**16,693**	7,052
Loans to investees	**1,167**	1,485
Others, including loans receivable	**8,683**	21,173
Total interest income	**26,543**	29,710
Dividends from listed equity securities	**1,743**	4,683
Other rental income	**5,687**	14,248
Handling fee income	**7,948**	1,599
Write back of long outstanding payables	**8,025**	–
Sundry income	**18,835**	18,193
	68,781	68,433

8. PROFIT BEFORE INCOME TAX

	2007 HK$'000	2006 HK$'000
Profit before income tax is arrived at after charging/(crediting)		
Amortisation:		
Prepaid lease rental on land	704	438
Other intangible assets ^	4,269	3,979
Depreciation of property, plant and equipment	18,872	14,190
Total amortisation and depreciation	23,845	18,607
Less: Amount capitalised as development cost	(237)	(72)
	23,608	18,535
Auditors' remuneration	5,171	3,220
Cost of inventories recognised as expense	2,638,093	1,148,072
Finance costs *(note (a))*	69,284	31,867
Loss on disposal of property, plant and equipment	758	103
Impairment losses on:		
Property, plant and equipment	–	393
Goodwill	–	1,473
Other intangible assets	–	8
Loans and receivables #	14,342	19,847
Available-for-sale financial assets	5,069	–
Net foreign exchange (gain)/losses	(9,273)	813
Operating lease charge on land and buildings	3,984	6,500
Outgoing in respect of investment properties	7,798	4,310
Net rental income	75,255	68,599
Research and development costs # *	607	2,396
Staff costs *(note (b))*	147,352	139,043
Share of tax of associates		
Current year	44,393	5,038
Under provision in prior years	14,846	13,881
Share of tax of jointly controlled entities	(37,752)	3,213
(Reversal of allowance)/Allowance for inventories @	(5,443)	182
Write-off of property, plant and equipment	146	576
Business tax and other levies	174,758	14,651

^ *included in "cost of sales" on the face of the consolidated income statement*
# *included in "other operating expenses" on the face of the consolidated income statement*
* *excluding depreciation of property, plant and equipment and staff costs*
@ *included in "cost of sales" recognised as expense*

Notes:

(a) Finance costs

	2007 HK$'000	2006 HK$'000
Interest charges on bank loans and overdrafts:		
– wholly repayable within five years	67,939	49,194
– wholly repayable over five years	7,664	7,654
Total interest expense on financial liabilities stated at amortised cost	75,603	56,848
Bank charges	2,025	–
Total borrowing costs	77,628	56,848
Less: amount capitalised in properties under development	(8,344)	(24,981)
	69,284	31,867

8. PROFIT BEFORE INCOME TAX *(Continued)*

Notes: (Continued)

(b) Staff costs

	2007 HK$'000	2006 HK$'000
Salaries, allowances and other benefits	**132,832**	136,428
Retirement fund contributions	**3,068**	2,615
Equity-settled share-based payments *(note 43(b))*	**7,019**	–
Termination benefits	**4,433**	–
	147,352	139,043

9. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000 (Restated)
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**5,017**	9,682
Other regions of the PRC		
– Enterprise income tax	**165,837**	29,862
– Land appreciation tax *(note 2.3)*	**125,082**	9,316
	295,936	48,860
Under/(Over) provision in prior years		
Hong Kong	**5,305**	30,164
Other regions of the PRC	**(3,947)**	–
	1,358	30,164
Deferred tax *(note 42)*	**(98,507)**	16,392
	198,787	95,416

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Enterprise income tax ("EIT") arising from other regions of the PRC is calculated at 15% – 33% (2006: 15% – 33%) of the estimated assessable profit.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law"). On 6th December, 2007, the State Council issued Implementation Regulations of the New EIT Law. The New EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the EIT rate for domestic and foreign investment enterprises at a rate of 25%. This change in the EIT rate will directly affect the Group's effective tax rate prospectively from 2008. As a result of the New EIT Law, the balance of deferred tax assets/liabilities have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets are realised or the liability is settled (see note 42).

9. INCOME TAX EXPENSE *(Continued)*

The income tax expenses for the year can be reconciled to the profit before income tax at applicable tax rates as follows:

	2007 HK$'000	2006 HK$'000 (Restated)
Profit before income tax	**741,332**	181,811
Tax on profit at the rates applicable to profits in the countries concerned	**314,255**	129,437
Expenses not deductible for tax purpose	**62,499**	26,452
Income not taxable for tax purpose	**(110,216)**	(57,540)
Share of results of associates and jointly controlled entities	**(21,487)**	(22,132)
Tax exemption	**(4,288)**	(3,599)
Effect of change in tax rate under the New EIT Law on deferred tax assets/liabilities *(note 42)*	**(35,931)**	–
Effect of different tax rates for the PRC land appreciation tax	**(11,758)**	(15,439)
Utilisation of tax losses previously not recognised	**(32,657)**	(8,890)
Tax losses not recognised	**42,441**	13,773
Under provision in prior years	**1,358**	30,164
Others	**(5,429)**	3,190
Income tax expenses for the year	**198,787**	95,416

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Among the consolidated profit attributable to equity holders of the Company of HK$434,359,000 (2006: HK$138,833,000), a loss of HK$29,145,000 (2006: HK$17,330,000) has been dealt with in the financial statements of the Company.

	2007 HK$'000	2006 HK$'000
Results attributable to equity holders dealt with in the Company's financial statements	**(29,145)**	(17,330)
Final dividends from subsidiaries attributable to profits of the previous financial year, approved and paid during the year	**8,000**	28,900
Company's (loss)/profit for the year *(note 40)*	**(21,145)**	11,570

11. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend declared and paid during the year of HK$0.08 (2006: HK$0.04) per ordinary share	**42,039**	20,019
Final dividend proposed after the balance sheet date of HK$0.12 (2006: HK$0.08) per ordinary share	**63,058**	42,039
	105,097	62,058

The final dividend of HK$0.12 (2006: HK$0.08) per ordinary share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

Dividend recognised as distributions during the year ended 31st December, 2007 amounted to HK$84,078,000 (2006: HK$60,058,000) or HK$0.16 (2006: HK$0.12) per ordinary share.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to the equity holders of the Company of HK$434,359,000 (2006: HK$138,833,000) and the weighted average number of ordinary shares in issue during the year of 525,485,000 (2006: 501,169,000).

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

	2007 HK$'000	2006 HK$'000
Earnings		
Earnings used in calculating basic earnings per share	**434,359**	138,833
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share *(note)*	**(568)**	–
Earnings for the purpose of calculating diluted earnings per share	**433,791**	138,833

Note: The calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share i.e. the weighted average number of ordinary shares in issue during the year of 525,485,000 (2006: 501,169,000).

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement fund contributions HK$'000	Share-based payments HK$'000	Total HK$'000
2007					
Executive directors					
Mr. Billy K Yung	120	5,511	230	1,210	7,071
Mdm Yung Ho Wun Ching	120	1,601	–	–	1,721
Mr. Leung Chun Wah	120	1,651	69	–	1,840
Mr. Plato Poon Chak Sang *(resigned on 1st July, 2007)*	60	970	27	–	1,057
Mr. Eddie Hurip	120	2,563	–	48	2,731
Non-executive director					
Mr. Simon Yung Kwok Choi	120	–	–	–	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee	120	96	–	–	216
Mr. Shiu-Kit Ngai	120	72	–	–	192
Mr. Peter Wong Chung On	120	108	–	–	228
Mr. Peter Lam	120	180	–	–	300
	1,140	12,752	326	1,258	15,476

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

(a) Directors' remuneration *(Continued)*

	Fees	Salaries, allowances and other benefits	Retirement fund contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Executive directors					
Mr. Billy K Yung	100	5,066	226	–	5,392
Mdm Yung Ho Wun Ching	100	1,577	–	–	1,677
Mr. Leung Chun Wah	100	1,795	60	–	1,955
Mr. Plato Poon Chak Sang	100	1,497	53	–	1,650
Mr. Eddie Hurip	17	450	–	–	467
Non-executive director					
Mr. Simon Yung Kwok Choi	100	–	–	–	100
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee	100	80	–	–	180
Mr. Shiu-Kit Ngai	100	60	–	–	160
Mr. Peter Wong Chung On	100	90	–	–	190
Mr. Peter Lam	100	40	–	–	140
	917	10,655	339	–	11,911

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 2 (2006: 2) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining 3 (2006: 3) were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**6,853**	11,893
Retirement fund contributions	**100**	83
Share-based payments	**1,524**	–
	8,477	11,976

Their emoluments were within the following bands:

	Number of employee	
	2007	2006
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1
HK$4,000,001 – HK$4,500,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1

14. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying amount at 1st January	**708,118**	594,377	**18,970**	14,200
Translation adjustment	**4,801**	751	**–**	–
Additions	**3,921**	6,268	**–**	–
Addition through acquisition of a subsidiary *(note 44(a))*	**32,739**	–	**–**	–
Increase in fair value	**92,794**	126,659	**3,030**	4,770
Disposals	**(63,600)**	–	**–**	–
Transfer from/(to) assets classified as held for sale *(note 34)*	**7,212**	(24,914)	**–**	–
Transfer from property, plant and equipment	**–**	4,977	**–**	–
Transfer from inventories of properties	**5,971**	–	**–**	–
Carrying amount at 31st December	**791,956**	708,118	**22,000**	18,970

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In Hong Kong, under long leases	**135,280**	98,220	**22,000**	18,970
In other regions of the PRC, under medium-term leases	**325,176**	283,858	**–**	–
In the USA, freehold	**331,500**	326,040	**–**	–
	791,956	708,118	**22,000**	18,970

Investment properties which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2007 by Knight Frank Petty Limited on an open market basis. The valuation was arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalisation of net income. Investment properties situated in the USA were revalued as at 31st December, 2007 by Cushman & Wakefield of California on an income approach with reference to comparable market conditions. Knight Frank Petty Limited and Cushman & Wakefield of California are independent firms of professionally qualified valuers.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 47.

As mentioned in note 37(a)(ii), certain investment properties of a subsidiary with carrying value of HK$65,142,000 as at 31st December, 2007 have been impounded by the court. In addition, certain of the Group's investment properties were pledged as further detailed in note 46.

Further particulars of the investment properties are included on page 91.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1st January, 2006	120,352	36,319	58,470	60,017	7,445	282,603
Translation adjustment	3,260	1,175	1,519	1,252	223	7,429
Revaluation deficit	(198)	–	–	–	–	(198)
Additions	254	2,250	8	11,022	8,016	21,550
Disposals	(512)	(265)	–	(1,556)	(1,717)	(4,050)
Write-off	–	(259)	(12)	(1,423)	(158)	(1,852)
Transfer to investment properties	(5,171)	–	–	–	–	(5,171)
Reclassification	(938)	938	–	–	–	–
At 1st January, 2007	117,047	40,158	59,985	69,312	13,809	300,311
Translation adjustment	6,732	2,619	3,225	2,226	835	15,637
Additions	137	3,531	99	4,815	18,706	27,288
Additions through acquisition of subsidiaries *(note 44)*	–	–	–	1,327	3,181	4,508
Disposals	(184)	(1,058)	–	(7,347)	(1,109)	(9,698)
Disposal of a subsidiary	–	–	–	(2,291)	–	(2,291)
Write-off	–	(42)	–	(3,878)	–	(3,920)
Transfer to assets classified as held for sale	–	–	–	(246)	–	(246)
Transfer from inventories of properties	26,292	–	–	–	–	26,292
At 31st December, 2007	**150,024**	**45,208**	**63,309**	**63,918**	**35,422**	**357,881**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2006	22,750	23,051	57,958	37,892	5,228	146,879
Translation adjustment	613	752	1,514	808	171	3,858
Depreciation provided	2,994	2,255	144	7,037	1,760	14,190
Disposals	(184)	(59)	–	(675)	(1,645)	(2,563)
Write-off	–	(100)	(5)	(1,025)	(146)	(1,276)
Impairment recognised	–	–	–	393	–	393
Transfer to investment properties	(194)	–	–	–	–	(194)
Reclassification	(145)	145	–	–	–	–
At 1st January, 2007	25,834	26,044	59,611	44,430	5,368	161,287
Translation adjustment	1,541	1,792	3,216	1,737	471	8,757
Depreciation provided	4,702	3,445	132	6,603	3,990	18,872
Disposals	(61)	(690)	–	(5,478)	(710)	(6,939)
Disposal of a subsidiary	–	–	–	(1,117)	–	(1,117)
Write-off	–	(25)	–	(3,749)	–	(3,774)
Transfer to assets classified as held for sale	–	–	–	(141)	–	(141)
At 31st December, 2007	**32,016**	**30,566**	**62,959**	**42,285**	**9,119**	**176,945**
NET CARRYING AMOUNT						
At 31st December, 2007	**118,008**	**14,642**	**350**	**21,633**	**26,303**	**180,936**
At 31st December, 2006	91,213	14,114	374	24,882	8,441	139,024

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

THE COMPANY

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2006	3,085	366	479	18,016	2,835	24,781
Additions	–	–	–	1,329	4,198	5,527
Disposals	–	–	–	(30)	(988)	(1,018)
At 1st January, 2007	3,085	366	479	19,315	6,045	29,290
Additions	–	–	–	580	2,200	2,780
Disposals	–	–	–	(49)	–	(49)
At 31st December, 2007	**3,085**	**366**	**479**	**19,846**	**8,245**	**32,021**
DEPRECIATION						
At 1st January, 2006	571	334	479	11,760	2,508	15,652
Provided for the year	62	12	–	1,517	899	2,490
Disposals	–	–	–	(28)	(988)	(1,016)
At 1st January, 2007	633	346	479	13,249	2,419	17,126
Provided for the year	62	12	–	1,468	1,525	3,067
Disposals	–	–	–	(49)	–	(49)
At 31st December, 2007	**695**	**358**	**479**	**14,668**	**3,944**	**20,144**
NET CARRYING AMOUNT						
At 31st December, 2007	**2,390**	**8**	**–**	**5,178**	**4,301**	**11,877**
At 31st December, 2006	2,452	20	–	6,066	3,626	12,164

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group and the Company are analysed as follows:

	THE GROUP		THE COMPANY	
	2007 *HK$'000*	2006 *HK$'000*	**2007 *HK$'000***	2006 *HK$'000*
In Hong Kong, held under long leases	**4,073**	4,273	**1,124**	1,153
In other regions of the PRC, held under				
– medium-term leases	**122,610**	91,343	**–**	–
– long leases	**5,950**	6,061	**1,266**	1,299
In the USA, freehold	**6,456**	6,547	**–**	–
	139,089	108,224	**2,390**	2,452
Land and buildings included in property, plant and equipment	**118,008**	91,213	**2,390**	2,452
Prepaid lease rental on land *(note 16)*	**21,081**	17,011	**–**	–
	139,089	108,224	**2,390**	2,452

As mentioned in note 37(a)(ii), certain property of a subsidiary with carrying value of HK$4,798,000 as at 31st December, 2007 have been impounded by court.

16. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1st January	**17,011**	16,854
Translation adjustment	**1,210**	595
Amortisation charged	**(704)**	(438)
Transfer from inventories of properties	**3,564**	–
Carrying amount at 31st December	**21,081**	17,011
Analysed into:		
Non-current portion included in non-current assets	**20,592**	16,621
Current portion included in current assets	**489**	390
	21,081	17,011

17. GOODWILL

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1st January	**66,643**	26,402
Acquisition of subsidiaries	**38,388**	–
Acquisition of additional interests in subsidiaries	**–**	41,714
Impairment recognised	**–**	(1,473)
Translation adjustment	**1,142**	–
Carrying amount at 31st December	**106,173**	66,643

Goodwill acquired during the current year mainly comprises:

(i) HK$3,168,000 and HK$29,565,000 arising from obtaining control over 廣州市光大花園房地產開發有限公司 (Guangzhou Everbright Gardens Real Estate Development Co. Limited) ("Guangzhou EB Gardens") and 北京中順超科房地產開發有限公司 (Beijing Zhong Shun Chao Ke Property Development Company Limited) ("Beijing Zhong Shun") respectively, as a result of further investment made in these entities during the year as mentioned in note 44(a) and (c);

(ii) HK$3,531,000 arising from the acquisition of 90% equity interest in 北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited) ("Huashiboli") as mentioned in note 44(b); and

(iii) HK$2,124,000 arising from the acquisition of 80% share capital of SLP (China) Pte. Ltd. as mentioned in note 44(d).

The amount of goodwill at year end is allocated to the cash-generating unit of property investment and development which is a reportable segment and is tested for impairment by the management by estimating the recoverable amount of this cash-generating unit based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a period of 4 years up to year 2011. Based on the results of the impairment testing, management determines that there is no impairment of the cash-generating unit of property investment and development attributed to the goodwill.

17. GOODWILL *(Continued)*

Key assumptions including gross profit margin of 20% to 40% and growth rate by reference to the gross Domestic Products Index in the PRC used by the management in the value in use calculation of the cash-generating unit of property investment and development have been determined based on past performance and its expectations for the market development. The discount rate applied to the cash flow projections is 35% which is pre-tax and reflects specific risks relating to the cash-generating unit of property investment and development.

Apart from the considerations described above in determining the value in use of the cash generating units of property investment and development, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. OTHER INTANGIBLE ASSETS

THE GROUP

	Taxi licences *HK$'000*	Shopping mall operating right *HK$'000*	Total *HK$'000*
COST			
At 1st January, 2006	202,267	55,395	257,662
Translation adjustment	7,198	2,374	9,572
At 1st January, 2007	209,465	57,769	267,234
Translation adjustment	15,279	5,040	20,319
At 31st December, 2007	224,744	62,809	287,553
AMORTISATION AND IMPAIRMENT			
At 1st January, 2006	38,400	3,841	42,241
Translation adjustment	1,366	540	1,906
Amortisation charged	–	3,979	3,979
Impairment recognised	–	8	8
At 1st January, 2007	39,766	8,368	48,134
Translation adjustment	2,901	1,436	4,337
Amortisation charged	–	4,269	4,269
At 31st December, 2007	42,667	14,073	56,740
NET CARRYING AMOUNT			
At 31st December, 2007	**182,077**	**48,736**	**230,813**
At 31st December, 2006	169,699	49,401	219,100

The carrying amount of taxi licences as at 31st December, 2007 is tested for impairment by the management by estimating its recoverable amount based on a value in use calculation. The calculation uses cash flow projection based on the financial budgets approved by the management covering a period up to the year 2013, the year in which the business licence of the respective subsidiary of the Company engaging in taxi rental operation would expire.

Key assumptions used by management in the value in use calculation of the taxi licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group remains the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the year, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 9% which reflects specific risks relating to the taxi rental operation.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**677,059**	105,126
Less: Impairment	**(90,429)**	(105,011)
	586,630	115

Details of the Company's principal subsidiaries as at 31st December, 2007 are set out in note 53.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**101**	195
Share of net assets	**366,112**	288,533	**–**	–
Goodwill on acquisition of an associate	**850**	850	**–**	–
	366,962	289,383	**101**	195
Less: Impairment	**–**	–	**(101)**	(94)
	366,962	289,383	**–**	101

Details of the Group's principal associates as at 31st December, 2007 are set out in note 54.

The following illustrates the summarised financial information of the Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis	
	2007	2006
	HK$'000	*HK$'000*
Results for the year		
Revenue	**835,591**	876,203
Profit	**286,170**	250,363
Financial positions		
Assets	**3,820,224**	3,368,063
Liabilities	**(2,527,368)**	(2,353,083)
Net asset	**1,292,856**	1,014,980

In previous years, loans to associates were included in "Interests in associates". In the current year, the loans are included in "Loans receivable" on the face of the consolidated balance sheet as the directors consider that such classification is more appropriate.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**205,650**	362,992
Goodwill	**26,941**	14,197
	232,591	377,189

Details of the Group's principal jointly controlled entities at 31st December, 2007 are set out in note 55.

The following illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2007	2006
	HK$'000	*HK$'000*
Share of results for the year		
Revenue	**17,014**	71,382
Profit/(Loss) after income tax expenses	**1,635**	(145,350)
Share of assets and liabilities		
Total non-current assets	**1,512**	231,968
Total current assets	**248,994**	1,954,781
Total current liabilities	**(43,045)**	(1,579,358)
Total non-current liabilities	**(1,811)**	(243,514)
	205,650	363,877
Minority interests	**–**	(885)
	205,650	362,992

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted investments:				
Convertible notes *(note (a))*	**5,070**	–	**5,070**	–
Club debentures *(note (b))*	**2,920**	2,920	**2,920**	2,920
	7,990	2,920	**7,990**	2,920

Notes:

(a) As mentioned in note 24, the Group has subscribed certain convertible notes in the current year. Based on the assessment of the directors, the convertible notes are impaired with impairment loss of HK$5,069,000 being recognised in the consolidated income statement. The recoverable amount of the convertible notes is determined based on the cash flow projections discounted using the market interest rate.

(b) Club debentures are stated at cost less impairment.

23. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loans receivable from:				
An investee	**–**	15,600	**–**	–
Associates *(note (a))*	**152,668**	164,974	**–**	–
Others *(note (b))*	**49,730**	42,269	**6,843**	6,358
	202,398	222,843	**6,843**	6,358
Less: Impairment *(note (b))*	**(45,877)**	(38,251)	**(6,783)**	(6,358)
	156,521	184,592	**60**	–
Analysed into:				
Amount repayable in more than one year included in non-current assets	**152,668**	166,805	**–**	–
Amount repayable within one year included in current assets	**3,853**	17,787	**60**	–
	156,521	184,592	**60**	–

Notes:

(a) The loans to associates are unsecured and interest-free. The amortised costs of the loans to associates as 31st December, 2007 are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

Having considered the financial position of these associates, and the status of settlements from them, the management assessed that there is no indication of impairment in respect of these loans.

(b) The balances as at 31st December, 2007 and 2006 are unsecured, interest-bearing at 5% – 7% per annum and have no fixed repayment term.

Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, impairment provision of HK$45,877,000 (2006: HK$38,251,000) was made in respect of the loan balance.

In the opinion of the directors, the carrying amounts of these loans receivable at the balance sheet date approximate their fair values.

24. DEPOSIT PAID FOR ACQUISITION OF OTHER INVESTMENT

The Company entered into a legally binding memorandum of undertaking with certain independent third parties on 27th December, 2006, pursuant to which the Company proposed to subscribe for convertible and non-convertible notes in an aggregate principal amount of S$17,000,000 (equivalent to approximately HK$87,635,000) in cash (the "Subscription").

On 26th April, 2007, the Company and the third parties entered into an agreement for the Subscription and subsequently, the whole amount of S$17,000,000 as required under the agreement was paid as to S$2,000,000 (equivalent to approximately HK$10,139,000) to the issuer of the convertible and non-convertible notes and S$15,000,000 (equivalent to approximately HK$77,496,000) to an escrow account.

During the current year, the Company has subscribed for the underlying convertible notes in respect of the S$2,000,000 deposit paid to the issuer and the convertible notes subscribed are accounted for as available-for-sale financial assets (note 22(a)). However, certain conditions for subscribing the underlying convertible and non-convertible notes in respect of the deposit of S$15,000,000 are not yet fulfilled by the third parties up to the fulfillment date and management has subsequently after the financial year end decided to terminate the subscription. The management is now proceeding to withdraw the money held under the escrow account.

25. INVENTORIES OF PROPERTIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Properties under development, at cost	**3,614,855**	1,860,095
Properties held for sale, at cost	**1,331,542**	86,814
	4,946,397	1,946,909

As at the balance sheet date, properties under development amounting to HK$3,614,855,000 (2006: HK$277,963,000) is expected not to be recovered within 12 months from the balance sheet date.

The Group's properties under development and properties held for sale are located in other regions of the PRC. As at the balance sheet date, leasehold interests in land included in inventories of properties which is held under long leases amounted to HK$1,236,712,000 (2006: HK$587,191,000).

As mentioned in note 37(a)(ii), certain inventories of properties of a subsidiary with carrying value of HK$77,427,000 as at 31st December, 2007 have been impounded by court. In addition, certain inventories of properties of the Group were pledged by the Group for obtaining certain banking facilities as at the balance sheet date with further details stated in note 46.

26. OTHER INVENTORIES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Raw materials	**70,686**	66,252	**–**	–
Work-in-progress	**4,501**	10,526	**–**	–
Finished goods	**38,602**	22,488	**2,391**	2,848
	113,789	99,266	**2,391**	2,848
Inventories stated				
At cost	**103,002**	85,591	**2,391**	2,848
At net realisable value	**10,787**	13,675	**–**	–
	113,789	99,266	**2,391**	2,848

27. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Trade receivable	**212,645**	180,180	**4,168**	10,229
Less: allowance for doubtful debts	**(13,805)**	(19,275)	**(2,651)**	(2,761)
Trade receivable, net *(note (a))*	**198,840**	160,905	**1,517**	7,468
Prepayments and deposits *(note (b))*	**537,061**	221,046	**1,391**	3,885
Other receivables *(note (c))*	**322,891**	86,532	**15,830**	21,159
	1,058,792	468,483	**18,738**	32,512

Notes:

(a) The aged analysis (based on invoice date) of the trade receivables net of allowance for doubtful debts as at the balance sheet date is as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
30 days or below	**86,339**	93,037	**1,338**	7,434
31 – 60 days	**71,379**	53,355	**9**	34
61 – 90 days	**13,722**	8,879	**119**	–
91 – 180 days	**21,592**	4,051	**51**	–
181 – 360 days	**2,292**	978	**–**	–
Over 360 days	**3,516**	605	**–**	–
	198,840	160,905	**1,517**	7,468

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary from different agreements.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and the Group would consider impairment provision for trade receivables which are aged one year or above.

The movement in the allowance for doubtful debts during the year is as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1st January	**19,275**	20,095	**2,761**	2,835
Translation difference	**298**	179	**–**	–
Impairment losses recognised	**3,497**	1,584	**–**	–
Impairment losses reversed	**(192)**	(2,350)	**–**	(14)
Amounts written off as uncollectible	**(7,883)**	(60)	**(110)**	(60)
Transfer to assets held for sale	**(1,190)**	–	**–**	–
Amounts recovered	**–**	(173)	**–**	–
At 31st December	**13,805**	19,275	**2,651**	2,761

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:(Continued)

(a) *(Continued)*

As of 31st December, 2007, the Group's and the Company's trade receivables of HK$13,805,000 (2006: HK$19,275,000) and HK$2,651,000 (2006: HK$2,761,000) respectively were impaired and the amounts of provision made in respect of the balances were HK$13,805,000 (2006: HK$19,275,000) and HK$2,651,000 (2006: HK$2,761,000) respectively. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered. The Group and the Company do not hold any collateral over these balances. The ageing analysis of trade receivables which were impaired and were provided for as at 31st December, 2007 is as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
30 days or below	**341**	4,141	**–**	–
31 – 60 days	**697**	161	**168**	161
61 – 90 days	**2**	–	**3**	–
91 – 180 days	**291**	35	**1**	–
181 – 360 days	**166**	48	**–**	36
Over 360 days	**12,308**	14,890	**2,479**	2,564
	13,805	19,275	**2,651**	2,761

The ageing analysis of trade receivables that are past due but are not considered impaired as at 31st December, 2007 is as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
61 – 90 days	**13,722**	8,879	**119**	–
91 – 180 days	**21,592**	4,051	**51**	–
181 – 360 days	**2,292**	978	**–**	–
Over 360 days	**3,516**	605	**–**	–
	41,122	14,513	**170**	–

Trade receivables that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral over these balances.

(b) Included in the balance of prepayments and deposits is a prepayment amounting to HK$381,955,000 (2006: HK$173,511,000) mainly for the first class land development on certain areas of Hohhot, Inner Mongolia (the "Land"). Subsequently after the year end, the Group is notified that it has won the bid that it tendered for the land use right in respect of certain area of the Land through a public tender.

(c) Included in the balance of other receivables is an amount of RMB150 million (approximately HK$160 million) paid to a third party, 深圳市眾望投資集團有限公司 ("深圳眾望"), in relation to a potential investment in the PRC. The amount paid is secured by an unconditional right granted to the Group to acquire for 30% equity interest of 惠州眾望光耀城房地產有限公司 (engaging in property development in the PRC) which is held by 深圳眾望.

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and repayable on demand. Except for an amount of HK$284,764,000 (2006: HK$1,985,218,000) which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. Except for an amount of HK$ 67,301,000 (2006: HK$25,084,000) which is interest-bearing at prevailing market rate, the balances due to the subsidiaries are interest-free. The directors consider that the carrying amounts of the balances approximate their fair values.

29. AMOUNT(S) DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES/INVESTEES/A RELATED PARTY/MINORITY SHAREHOLDERS

The balances are unsecured, interest-free and repayable on demand. The directors consider that the carrying amount of the above balances approximate their fair values.

30. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Equity securities, at fair value		
Unlisted	–	4
Listed in Hong Kong	**30,531**	109,043
Listed outside Hong Kong	**17,850**	78,905
	48,381	187,952

The fair values of the listed equity securities are based on quoted market prices available on the relevant stock exchanges.

As at the balance sheet date, certain equity securities were pledged as further detailed in note 46.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Equity derivatives – (liabilities)/assets	**(6,738)**	1,292

As at 31st December, 2007, the Group held three forward contracts in respect of the shares of a listed company in the United Kingdom, Singapore and Hong Kong (the "Shares") respectively. The aggregate notional amount of the contracts as at 31st December, 2007 was HK$85,287,000 (2006: HK$123,173,000). Under the contracts, the Group is required to buy certain numbers of the Shares, depending on the market price of the listed companies' shares on each of the settlement dates during the period of the contracts at the underlying forward prices. When the market price of the listed companies' shares exceeds the knock-out prices as set forth in the contracts, the contracts would be terminated.

Further details about the terms of these contracts are as follows:

	Forward price	**Number of Shares# Lower**	**Number of Shares# Higher**	**Knock-out price**	**Maturity date**
Contract 1	GBP5.4395	4,000	8,000	GBP6.129	21st July, 2008
Contract 2	SGD6.63	8,000	16,000	SGD7.875	17th July, 2008
Contract 3	HK$81.6387	4,000	8,000	HK$99.6751	12th November, 2008

\# To be settled on weekly basis

The equity derivatives are not designated as hedging instrument and their fair values are determined by reference to the valuation conducted by a third party financial institution.

These financial instruments are subject to financial risk exposure in term of price risk (note 52.4(a)).

32. RESTRICTED CASH AND DEPOSITS

The balance comprises the followings:

(a) In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 31st December, 2007 was HK$99,890,000.

(b) Cash balance placed with certain security brokers is restricted for the purpose of trading securities. As at 31st December, 2007, the amount of cash restricted for such purpose was HK$16,398,000.

33. CASH AND CASH EQUIVALENTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Cash at bank, in hand and deposited with security brokers	**1,697,862**	488,753
Less: restricted cash classified under current assets *(note 32)*	**(116,288)**	–
Less: pledged deposits classified under current assets *(note 46)*	**(876,858)**	–
	704,716	488,753

As at 31st December, 2007, cash balance denominated in Renminbi ("RMB") amounted to approximately HK$1,313,796,000 (2006: HK$403,160,000). The RMB is not freely convertible into other currencies.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods varying from one day to seven days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

34. ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Investment properties	**–**	24,914
Interest in an associate	**–**	131,590
Interest in a development project held by a jointly controlled entity *(note (a))*	**325,680**	–
Interest in a development project held by a subsidiary *(note (b))*		
– Assets classified as held for sale	**155,558**	–
– Liabilities classified as held for sale	**(46,796)**	–
	434,442	156,504

Notes:

(a) On 24th April, 2007, 中國光大房地產開發有限公司 (China Everbright Real Estate Development Limited) ("EBRE"), an indirect 70% owned subsidiary of the Company, entered into an agreement (the "Agreement") with 廣州銀宜企業集團有限公司 (Guangzhou Yingyi Enterprises Group Limited) ("Guangzhou Yingyi"), another joint venture partner of 廣州市環博展覽有限公司 (Guangzhou City Huan Bo Exhibition Company Limited) ("Guangzhou Huan Bo"). Guangzhou Huan Bo is principally engaged in property development and its registered capital is owned as to 50% by EBRE and 50% by Guangzhou Yingyi. Pursuant to the Agreement, EBRE agreed to dispose of its 50% registered capital in Guangzhou Huan Bo to Guangzhou Yingyi at a cash consideration of RMB469 million and Guangzhou Huan Bo has agreed to repay the shareholder's loan of RMB76 million to EBRE (the "Sale"). On 2nd May, 2007, the board of directors convened a meeting to approve the Agreement and the Group has received deposit of RMB444 million (equivalent to HK$474 million) from Guangzhou Yingyi during the year which is classified as an amount due to a related party at year end. The Sale is not yet completed up to the balance sheet date and accordingly, the Group's interests in Guangzhou Huan Bo were reclassified and presented in the consolidated balance sheet as "assets classified as held for sale" as at 31st December, 2007. Further details about the Sale are set out in a circular to the shareholders of the Company dated 30th May, 2007.

(b) Pursuant to an agreement dated 16th January, 2008, the Group has agreed to dispose of its interest in a property development project through the disposal of its entire equity interest in安徽博鴻房地產開發有限公司 ("安徽博鴻") to an independent third party at a cash consideration of RMB121 million. The transaction is approved by the board of directors near the end of the current financial year and will be completed on or before 30th April, 2008. Accordingly, the Group's interest in the development project held by 安徽博鴻 is reclassified and presented in the consolidated balance sheet as "assets classified as held for sale".

35. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Trade payables	**1,290,662**	572,587	**9,684**	13,559
Temporary receipts	**33,651**	37,904	**54**	310
Deferred income	**23,672**	29,725	**–**	–
Other payables and accruals	**817,451**	266,137	**36,327**	25,131
	2,165,436	906,353	**46,065**	39,000
30 days or below	**381,047**	52,887	**7,624**	10,622
31 – 60 days	**43,480**	352,060	**379**	938
61 – 90 days	**18,597**	21,722	**555**	57
91 – 180 days	**453,855**	5,431	**24**	911
181 – 360 days	**1,655**	9,731	**63**	32
Over 360 days	**392,028**	130,756	**1,039**	999
	1,290,662	572,587	**9,684**	13,559

The directors consider that the carrying amount of trade and other payables approximate their fair values.

36. AMOUNT(S) DUE TO JOINTLY CONTROLLED ENTITIES/MINORITY SHAREHOLDERS/A RELATED PARTY

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balance approximate their fair values.

37. PROVISIONS

THE GROUP

	Provision for claim	Guarantee	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2006, 31st December,2006 and at 1st January, 2007	–	23,478	23,478
Translation adjustment	–	2,464	2,464
Recognised on acquisition of a subsidiary *(note (a))*	16,000	60,277	76,277
Provision utilised *(note (a)(i))*	(16,000)	–	(16,000)
Reversal of unutilised provision *(note (b))*	–	(23,478)	(23,478)
Additional provision *(note (a)(ii))*	–	1,992	1,992
At 31st December, 2007	–	64,733	64,733

Notes:

(a) Provisions recognised during the year arise from the deemed acquisition of Guangzhou EB Gardens as mentioned in note 44(a). Such provisions consist of:

(i) Pursuant to a court order issued in the PRC during the current year, Guangzhou EB Gardens is liable to the claim from one of the creditors of a former shareholder (the "Former Shareholder") of Guangzhou EB Gardens and bank deposit of Guangzhou EB Gardens amounting to RMB15,600,000 had been frozen since 10th May, 2007. Accordingly, a provision for the claim amounting to HK$16,000,000 was made during the year. The bank deposit was sequestrated by the court near the end of the current financial year and thus the amount of provision made during the year was subsequently utilised. Guangzhou EB Gardens has lodged objection to the court.

(ii) In prior years, Guangzhou EB Gardens issued guarantee with maximum amount of RMB50 million in favour of the Former Shareholder as security for loans granted by a bank in the PRC to the Former Shareholder. Since the Former Shareholder could not repay the loans, the bank has claimed Guangzhou EB Gardens for repayment on behalf of the Former Shareholder. Pursuant to the court order issued by the PRC government, Guangzhou EB Gardens is liable to the claim and certain investment properties, property, plant and equipment and inventories of properties with carrying value of HK$65,142,000, HK$4,798,000 and HK$77,427,000, respectively, as at 31st December, 2007 have been impounded by the court. Accordingly, provision for the maximum amount of the guarantee together with the subsequent interest accrual amounting to HK$64,733,000 as at 31st December, 2007 is made by Guangzhou EB Gardens.

(b) A guarantee issued to a bank in the PRC as part of the security for the banking facilities granted to a third party expired in November 2007. Accordingly, the relevant provision made in previous year amounting to HK$23,478,000 is released during the current financial year.

38. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans				
Secured	**1,993,605**	512,905	**–**	–
Unsecured	**565,735**	426,105	**387,463**	372,948
	2,559,340	939,010	**387,463**	372,948
The maturity is as follows:				
Due within one year	**1,885,688**	832,434	**387,463**	372,948
Due more than one year, but not exceeding two years	**573,728**	3,470	**–**	–
Due more than two years, but not exceeding five years	**11,720**	11,720	**–**	–
Due more than five years	**88,204**	91,386	**–**	–
	2,559,340	939,010	**387,463**	372,948
Less: Amounts due within one year included in current liabilities	**(1,885,688)**	(832,434)	**(387,463)**	(372,948)
Amounts due after one year included in non-current liabilities	**673,652**	106,576	**–**	–

The carrying amounts of the bank loans are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Dollar	**378,403**	363,922	**370,531**	363,922
RMB	**1,886,979**	452,862	**–**	–
US Dollar	**293,958**	122,226	**16,932**	9,026
	2,559,340	939,010	**387,463**	372,948

Among the bank loans as at 31st December, 2007, HK$1,217,406,000 (2006: HK$452,862,000) were arranged at fixed interest rates which are ranged from 5.27% to 8.02% (2006: 5.76% to 7.49%) per annum and the remaining bank loans of HK$1,341,934,000 (2006: HK$486,148,000) are arranged at floating rates which are ranged from 3.55% to 9.71% (2006: 1.51% to 5.90%) per annum.

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

39. SHARE CAPITAL

		2007		2006	
		Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
(a)	**Authorised:**				
	Ordinary shares of HK$0.50 each				
	Balance at beginning and end of year	**900,000**	**450,000**	900,000	450,000
(b)	**Issued and fully paid:**				
	Ordinary shares of HK$0.50 each				
	Balance at beginning of year	**525,485**	**262,742**	500,485	250,242
	Shares issued on acquisitions	**–**	**–**	25,000	12,500
	Balance at end of year	**525,485**	**262,742**	525,485	262,742

None of the Company or its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

40. SHARE PREMIUM AND RESERVES

THE GROUP

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 23. The nature and purpose of reserves are as follows:

Share premium and capital redemption reserve

The application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance.

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policy in notes 3.13 and 3.14.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.17.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in notes 3.2 and 3.7.

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

40. SHARE PREMIUM AND RESERVES *(Continued)*

THE COMPANY

Details of the movements on the Company's share premium and reserves are as follows:

	Share premium	Capital redemption reserve	Available-for-sale financial assets reserve	Dividend reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	581,349	43,822	13,020	40,039	1,165,896	1,844,126
Fair value changes on available-for-sale financial assets recognised directly in equity	–	–	(13,020)	–	–	(13,020)
Net profit for the year	–	–	–	–	11,570	11,570
Total recognised income and (expense) for the year	–	–	(13,020)	–	11,570	(1,450)
New shares issued on acquisitions of subsidiaries	58,750	–	–	–	–	58,750
Interim dividend declared	–	–	–	20,019	(20,019)	–
Dividends paid	–	–	–	(60,058)	–	(60,058)
Final dividend proposed	–	–	–	42,039	(42,039)	–
At 31st December, 2006 and 1st January, 2007	640,099	43,822	–	42,039	1,115,408	1,841,368
Net profit for the year/Total recognised income and expense for the year	–	–	–	–	(21,145)	(21,145)
Interim dividend declared	–	–	–	42,039	(42,039)	–
Dividends paid	–	–	–	(84,078)	–	(84,078)
Final dividend proposed	–	–	–	63,058	(63,058)	–
At 31st December, 2007	640,099	43,822	–	63,058	989,166	1,736,145

The Company's reserves available for distribution to shareholders are as follows:

	2007	2006
	HK$'000	*HK$'000*
Dividend reserve	**63,058**	42,039
Retained profits	**989,166**	1,115,408
	1,052,224	1,157,447

41. LOAN FROM A MINORITY SHAREHOLDER

The balance due is unsecured, interest free and not repayable within twelve months from the balance sheet date. The fair value of the loan is calculated by discounting the expected future cash flows at prevailing interest rate.

42. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on trade receivables HK$'000	Allowance on inventories HK$'000	Inventories of properties HK$'000	Revaluation of properties HK$'000	Revaluation of building HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2006	3,312	3,548	(496)	(24)	152,183	18,533	1,465	(6,244)	12	172,289
Charged/(Credited) to income statement	2,329	5,776	13	(62)	5,252	3,242	–	(1,413)	1,255	16,392
(Credited)/Charged to equity	(7)	125	–	–	–	3	–	1	1	123
At 1st January, 2007	5,634	9,449	(483)	(86)	157,435	21,778	1,465	(7,656)	1,268	188,804
Translation adjustment	269	782	–	–	8,492	550	–	(208)	93	9,978
Effect of change in tax rate charged (credited) to income statement	–	(2,449)	–	–	(38,166)	2,843	(355)	1,856	340	(35,931)
Acquisition of subsidiaries	–	–	–	–	416,650	–	–	–	–	416,650
Charged/(Credited) to income statement	(4,125)	4,586	20	(3)	(77,432)	8,369	296	6,008	(295)	(62,576)
At 31st December, 2007	1,778	12,368	(463)	(89)	466,979	33,540	1,406	–	1,406	516,925

Represented by:

	2007 HK$'000	2006 HK$'000
Deferred tax liabilities	**516,925**	188,804
Deferred tax assets	**–**	–
	516,925	188,804

At the balance sheet date, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2007 HK$'000	2006 HK$'000
2007	**N/A**	19,375
2008	**6,788**	25,511
2009	**22,395**	52,709
2010	**68,971**	96,356
2011	**24,873**	55,049
2012	**40,399**	35,341
2013	**1,910**	3,471
2014	**4,867**	4,867
2015	**–**	1
2016	**–**	4
2018	**22,376**	22,376
2019	**63,782**	63,782
2020	**20,101**	20,101
2021	**7,482**	7,482
2022	**4,230**	4,230
2024	**9,834**	9,834
2025	**2,868**	2,868
2026	**1,383**	752
Carried forward indefinitely	**44,284**	80,570
	346,543	504,679

42. DEFERRED TAX *(Continued)*

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the U.S.A. may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

THE COMPANY

	Accelerated tax depreciation *HK$'000*	Allowance on trade receivables *HK$'000*	Allowance on inventories *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1st January, 2006	886	(496)	(24)	1,617	1,983
Charged/(Credited) to income statement for the year	1,022	13	(63)	511	1,483
At 1st January, 2007	1,908	(483)	(87)	2,128	3,466
Charged/(Credited) to income statement for the year	(160)	20	(2)	593	451
At 31st December, 2007	1,748	(463)	(89)	2,721	3,917

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

43. SHARE OPTION SCHEMES

The Company

At the annual general meeting of the Company held on 11th May, 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11th May, 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

Subsidiaries

(a) Appeon Corporation and Galactic Computing Corporation

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1.00 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for further issue under the Appeon Scheme amounted to 991,984 (subject to approval of the shareholders of the Company) which represented 27.12% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

43. SHARE OPTION SCHEMES *(Continued)*

(a) Appeon Corporation and Galactic Computing Corporation *(Continued)*

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2007 are as follows:

				Number of share options of Appeon			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125
	25.05.2005	25.05.2005 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2005 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2006 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2006 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–
				93,500	(80,000)	–	13,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	7,687	(5,000)	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	3,938	(1,250)	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375

43. SHARE OPTION SCHEMES *(Continued)*

(a) Appeon Corporation and Galactic Computing Corporation *(Continued)*

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
				Number of share options of Appeon			
Employees (continued)	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	18.01.2006	17.07.2006 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2010 – 10.11.2012	3.00	1,250	(1,250)	–	–
	01.06.2006	14.10.2006 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2007 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2007 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2008 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2008 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2009 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2009 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2010 – 10.11.2012	3.00	875	(875)	–	–
				79,500	(45,000)	–	34,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				230,425	(125,000)	–	105,425
Weighted average exercise price (HK$)				19.70	22.62	–	16.24

No option was exercised by the grantees during the year.

43. SHARE OPTION SCHEMES *(Continued)*

(a) Appeon Corporation and Galactic Computing Corporation *(Continued)*

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total number of options available for issue under the Galactic Scheme amounted to 681,328 (subject to the approval of the shareholders of the Company) which represented 2.86% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2007 are as follows:

				Number of share options of Galactic			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share *US$*	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	–	–	41,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	–	–	372,831	372,831
				510,000	–	2,982,655	3,492,655

43. SHARE OPTION SCHEMES *(Continued)*

(a) Appeon Corporation and Galactic Computing Corporation *(Continued)*

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options of Galactic: As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	01.06.2004	01.06.2004 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2008 – 10.11.2012	0.45	18,750	(18,750)	–	–
	25.05.2005	25.05.2005 – 10.11.2012	0.60	16,250	(10,000)	–	6,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	16,250	(10,000)	–	6,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	–	–	335,554	335,554
	31.12.2007	01.07.2008 – 10.11.2012	0.45	–	–	335,542	335,542
	31.12.2007	01.01.2009 – 10.11.2012	0.45	–	–	335,554	335,554
	31.12.2007	01.07.2009 – 10.11.2012	0.45	–	–	335,542	335,542
	31.12.2007	01.01.2010 – 10.11.2012	0.45	–	–	335,553	335,553
	31.12.2007	01.07.2010 – 10.11.2012	0.45	–	–	335,546	335,546
	31.12.2007	01.01.2011 – 10.11.2012	0.45	–	–	335,550	335,550
	31.12.2007	01.07.2011 – 10.11.2012	0.45	–	–	335,548	335,548
				270,000	(170,000)	2,684,389	2,784,389
Consultants of Galactic	25.11.2002	01.06.2003 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.12.2003 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.06.2004 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.12.2004 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.06.2005 – 16.12.2007	0.45	31,250	(31,250)	–	–
				156,250	(156,250)	–	–
				1,136,250	(326,250)	5,667,044	6,477,044
Weighted average exercise price (HK$)				3.58	3.58	3.51	3.52

No option was exercised by the grantees during the year.

43. SHARE OPTION SCHEMES *(Continued)*

(a) Appeon Corporation and Galactic Computing Corporation *(Continued)*

The total consideration received during the year from the grantees for taking up the options granted under Galactic Scheme is HK$15 (2006: HK$6).

The number of options which are exercisable as at 31st December, 2007 is 100,425,000 for Appeon Scheme and 797,500 for Galactic Scheme and their weighted average remaining contractual life is 4.86 years.

The fair values of the share options granted under the Appeon Scheme and the Galactic Scheme as at 31st December, 2007 are insignificant and accordingly, they are not accounted for in these financial statements. Details of the inputs to the model used in calculating the fair value of the share options granted under the Galactic Scheme during the year are as follows:

Expected volatility (%)	43.99%
Risk-free interest rate (%)	2.684%
Dividend yield (%)	0%
Expected life of option (years)	3 years

(b) Terborley Limited

The Company announced on 29th November, 2007 that Terborley Limited (the "Grantor"), an indirect non-wholly owned subsidiary of the Company, entered into the option deeds (the "Option Deeds") with an aggregate of 49 individuals (the "Grantees"). Pursuant to the Option Deeds, the Grantor has granted to the Grantees certain options to acquire from the Grantor an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land (Holdings) Corporation ("Pan China"), an investee of the Grantor, at the exercise price specified in the Option Deeds. The options are vested on the date on which the shares of Pan China will be listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period"). Details of these Option Deeds were set out in the announcement of the Company dated 29th November, 2007.

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee(s)	Number of option shares to which the Grantees are entitled	Approximate percentage of the total number of option shares
Mr. Billy K Yung	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group (Note)	95,200	82.1%
Total	116,000	100%

Note: An aggregate of 5,200 Option Shares are held on trust by Mr. Billy K Yung and Mr. Eddie Hurip.

The Grantees may exercise the options in whole or in part by giving exercise notice to the Grantor at any time during the Option Period provided that the Grantees shall exercise the options to acquire the Option Shares in accordance with the following vesting schedule:

Vesting schedule	Maximum percentage of Option Shares comprised in an option which may be exercised
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

43. SHARE OPTION SCHEMES *(Continued)*

(b) Terborley Limited *(Continued)*

The Grantor will receive an aggregate amount of HK$69,600,000 if all the options are exercised based on the initial exercise price of HK$600 per share. A consideration of HK$1 is payable on acceptance of the offer of the grant of an option.

No option was exercised by the Grantees and no option was cancelled or lapsed during the period between the grant date and the balance sheet date.

The fair value of the options is determined by an independent valuer using the Binomial Model (the "Model"). Details of the inputs to the Model are as follows:

Expected volatility (%)	52.8%
Risk-free interest rate (%)	3.28%
Dividend yield (%)	0%
Expected life of option (years)	10 years
Weighted average share price (HK$)	HK$2,241

Expected volatility is determined by referring to the statistical analysis of the weekly share prices of certain listed companies engaging in similar industry for two years prior to the grant date. It is assumed that the volatility is constant throughout the option life. The expected life of option is based on management's best estimates for the effects of non-transferability of the options, exercise restrictions and behavioural considerations. No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the options granted is HK$201,420,000 in aggregate, of which the Group recognised HK$7,019,000 as share option expense in the consolidated income statement for the year ended 31st December, 2007. The corresponding amount has been credited to the share option reserve and minority interests. No liabilities were recognised as those are equity settled share-based payment transactions.

44. ACQUISITION OF SUBSIDIARIES

(a) Additional interest in Guangzhou EB Gardens and its subsidiary

During the current year, 廣東萬家樂電纜有限公司, a subsidiary of the Company, transferred its 8% interest in Guangzhou EB Gardens, a former jointly controlled entity of the Group, to EBRE, at a consideration of RMB17,334,000. Upon completion of the transfer on 27th June, 2007, EBRE's interest in Guangzhou EB Gardens increased from 50% to 58% while the Group's effective interest in Guangzhou EB Gardens decreased from 43% to 40.6%. On the same date, the shareholders of Guangzhou EB Gardens approved for the reduction of the number of directors from five to three, two of whom were appointed by EBRE and the remaining one was appointed by the minority shareholder. As a result of the change in the composition of the board of directors on 27th June, 2007, Guangzhou EB Gardens and its subsidiary became subsidiaries of the Group (the "Deemed Acquisition").

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Additional interest in Guangzhou EB Gardens and its subsidiary *(Continued)*

The fair values of the identifiable assets and liabilities of Guangzhou EB Gardens and its subsidiaries as at the date of the Deemed Acquisition and the corresponding carrying amounts immediately before the Deemed Acquisition are as follows:

	Carrying amount on the date of Deemed Acquisition	Fair Value adjustments	Fair value on the date of Deemed Acquisition
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	3,111	–	3,111
Investment properties	32,739	–	32,739
Interests in jointly controlled entities	9,327	–	9,327
Inventories of properties	1,509,700	456,493	1,966,193
Trade and other receivables	159,229	–	159,229
Amounts due from shareholders	25,440	–	25,440
Amounts due from jointly controlled entities	13,197	–	13,197
Amounts due from related companies	503,625	–	503,625
Restricted bank deposit	189,542	–	189,542
Bank balances and cash	7,836	–	7,836
Trade and other payables	(787,056)	–	(787,056)
Sales deposits received	(1,417,860)	–	(1,417,860)
Provision	(76,277)	–	(76,277)
Tax liabilities	(50)	–	(50)
Bank borrowings	(81,078)	–	(81,078)
Deferred tax liabilities	(40,896)	(149,733)	(190,629)
	50,529	306,760	357,289

Following the change in the composition of the board of directors of Guangzhou EB Gardens, 廣西光大旅遊投資有限公司("廣西光大旅遊"), a jointly-controlled entity of Guangzhou EB Gardens, also became a subsidiary of the Group on the same date.

The fair values of the identifiable assets and liabilities of 廣西光大旅遊 and its subsidiaries as at the date of the Deemed Acquisition and the corresponding carrying amounts immediately before the Deemed Acquisition are as follows:

	Carrying amount on the date of Deemed Acquisition	Fair Value adjustments	Fair value on the date of Deemed Acquisition
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	651	–	651
Inventories of properties	28,667	23,137	51,804
Trade and other receivables	2,599	–	2,599
Amounts due from minority shareholders	3,797	–	3,797
Bank balances and cash	7,467	–	7,467
Trade and other payables	(679)	–	(679)
Amount due to shareholders	(13,402)	–	(13,402)
Amount due to holding company	(4,316)	–	(4,316)
Deferred tax liabilities	–	(5,784)	(5,784)
	24,784	17,353	42,137

Notes:

(i) The Deemed Acquisition has resulted in inflow of cash and cash equivalents of HK$15,303,000.

(ii) Among the net amount of fair value adjustments to the identifiable assets and liabilities of Guangzhou EB Gardens on the date of Deemed Acquisition, HK$131,228,000 solely relates to the interest held by the Group prior to the Deemed Acquisition and accordingly, the entire amount is treated as a revaluation which is dealt with in the asset revaluation reserve in equity.

(iii) Among the net amount of fair value adjustments to the identifiable assets and liabilities of 廣西光大旅遊 on the date of Deemed Acquisition, HK$9,252,000 solely relates to the interest held by the Group prior to the Deemed Acquisition and accordingly, the entire amount is treated as a revaluation which is dealt with in the asset revaluation reserve in the equity.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Additional interest in Guangzhou EB Gardens and its subsidiary *(Continued)*

Since the Deemed Acquisition, Guangzhou EB Gardens and 廣西光大旅遊 and its subsidiaries contributed HK$1,005,700,000 to the Group's turnover and HK$199,289,000 to the consolidated profit for the year ended 31st December, 2007. Had the Deemed Acquisition been taken place on 1st January, 2007, the revenue of the Group and the profit of the Group for the year would have been HK$3,573,109,000 and HK$531,967,000 respectively.

On 15th November, 2007, 北京光大房地產開發有限公司 (Beijing Everbright Real Estate Development limited) ("Beijing EB Real Estate"), a subsidiary of the Company, entered into an equity transfer agreement with 深圳市光大策略投資有限公司 ("Shenzhen EB Strategic"), pursuant to which Beijing EB Real Estate agreed to acquire and Shenzhen EB Strategic agreed to dispose of 42% equity interest in Guangzhou EB Gardens for a cash consideration of RMB58,657,000. Upon the completion of the acquisition of this further 42% interest in Guangzhou EB Gardens (the "MI Acquisition"), the Group is entitled to 70% interest in Guangzhou EB Gardens.

Further information about the MI Acquisition is as follows:

	HK$'000
Net assets acquired	173,752
Excess of the carrying values of net assets acquired over the consideration	(106,987)
Total cost of investment #	66,765

including professional fees incidental to the MI Acquisition

To be satisfied by:	
Cash	66,765

The excess of the carrying values of the underlying assets and liabilities attributable to the additional interests in Guangzhou EB Gardens over the consideration paid of HK$106,987,000 is credited to the consolidated income statement.

Among the total cost of investment of HK$66,765,000, HK$62,640,000 remain unpaid as at 31st December, 2007 and is included in "consideration payable on acquisition of subsidiaries" on the face of the consolidated balance sheet.

(b) Acquisition of Huashiboli

On 21st May, 2007, Beijing EB Real Estate entered into an agreement with 北京世紀隆興投資有限公司 ("Beijing Century Longxing") and 北京世紀恒信投資咨詢有限公司 ("Beijing Century Hengxin"). Pursuant to the agreement, Beijing EB Real Estate agreed to acquire 90% of the registered capital of Huashiboli at a total consideration of RMB630 million (equivalent to approximately HK$647 million) which is to be satisfied by way of cash (the "Acquisition of Huashiboli"). Huashiboli is principally engaged in property development in the PRC.

Details of this transaction were set out in a circular to the shareholders of the Company dated 31st August, 2007. The fair values of the identifiable assets and liabilities of Huashiboli as at 31st May, 2007 the date of the Acquisition of Huashiboli and the corresponding carrying amounts immediately before the Acquisition of Huashiboli are as follows:

	Carrying amount on the date of acquisition *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value on the date of acquisition** *HK$'000*
Property, plant and equipment	473	–	473
Inventories of properties	249,358	536,494	785,852
Trade and other receivables	42,942	–	42,942
Bank balances and cash	10,292	–	10,292
Trade and other payables	(17,133)	–	(17,133)
Amounts due to minority shareholders	(513)	–	(513)
Minority interest	(4,514)	(40,237)	(44,751)
Deferred tax liabilities	–	(134,124)	(134,124)
Assets and liabilities acquired	280,905	362,133	643,038
Goodwill on Acquisition of Huashiboli *(note 17)*			3,531
Total consideration			646,569

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of Huashiboli *(Continued)*

An analysis of the net cash outflow arising on the Acquisition of Huashiboli is as follows:

	HK$'000
Cash consideration paid *(note (i))*	418,736
Bank balances and cash acquired	(10,292)
Net outflow of cash and cash equivalents in respect of the Acquisition of Huashiboli	408,444

Notes:

(i) As at 31st December, 2007, cash consideration amounting to HK$227,833,000 remained unpaid and is included in "consideration payable on acquisition of subsidiaries" on the face of the consolidated balance sheet. The outstanding consideration has to be settled by June 2008 according to the agreement. As at 31st December, 2007, Beijing EB Real Estate has already held the legal title in 70% of the registered capital of Huashiboli and the legal title of the remaining 20% registered capital would entirely be transferred to the Group by the time the outstanding consideration is fully paid.

(ii) The goodwill arising from the Acquisition of Huashiboli is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.

(iii) Being in its early stage of development, Huashiboli did not generate material revenue and net results for the twelve months ended 31st December, 2007. It follows that Huashiboli did not have significant contribution to the Group's revenue and profit for the period between the date of the Acquisition of Huashiboli and the balance sheet date or for the current year had the Acquisition of Huashiboli been taken place on 1st January, 2007.

(c) Additional interest in Beijing Zhong Shun

On 9th November, 2007, Beijing EB Real Estate entered into certain agreements to acquire the remaining 54.10% equity interests in Beijing Zhong Shun and, as part of the transaction, to dispose of its 51% equity interests in 北京金華星置業有限公司 (Beijing Jin Hua Xing Properties Company Limited) ("Jin Hua Xing") which, as of the date of the transaction, held 70% interest in the registered capital of Beijing Zhong Shun (the "Zhong Shun Acquisition"). Before the Zhong Shun Acquisition, Beijing EB Real Estate held 35.7% effective interest in Beijing Zhong Shun. After the Zhong Shun Acquisition, EBRE becomes the sole equity holder of Beijing Zhong Shun and does not have any interest in Jin Hua Xing. The aggregate consideration of the Zhong Shun Acquisition is approximately RMB338 million (approximately HK$349 million).

Details of this transaction were set out in a circular to the shareholders of the Company dated on 12th December, 2007. The fair values of the identifiable assets and liabilities of Beijing Zhong Shun as at the date of Zhong Shun Acquisition on 9th November, 2007 and the corresponding carrying amounts immediately before the Zhong Shun Acquisition are as follows:

	Carrying amount on the date of acquisition *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value on the date of acquisition** *HK$'000*
Property, plant and equipment	85	–	85
Inventories of properties	873,128	281,471	1,154,599
Trade and other receivables	831	–	831
Bank balances and cash	190,972	–	190,972
Trade and other payables	(651,622)	–	(651,622)
Amounts due to minority shareholders	(29,750)	–	(29,750)
Bank borrowings	(309,900)	–	(309,900)
Deferred tax assets/(liabilities)	12,713	(98,826)	(86,113)
Assets and liabilities acquired	86,457	182,645	269,102

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Additional interest in Beijing Zhong Shun *(Continued)*

An analysis of the net cash outflow arising on the Zhong Shun Acquisition is as follows:

	HK$'000
Cash consideration paid	348,760
Bank balances and cash acquired	(190,972)
Net outflow of cash and cash equivalents in respect of the Zhong Shun Acquisition	157,788

Notes:

(i) The goodwill arising from the Zhong Shun Acquisition is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.

(ii) The above fair values of the assets and liabilities acquired are determined provisionally based on the information available up to the date of these financial statements. The directors of the Company are still in the process of finalising the fair values of these assets and liabilities acquired.

(iii) Since Beijing Zhong Shun is still in its development stage thus generating no material revenue and net results for the twelve months ended 31st December, 2007, it did not have significant contribution to the Group's revenue and profit for the period between the date of the Zhong Shun Acquisition and the balance sheet date or for the current year had the Zhong Shun Acquisition been taken place on 1st January, 2007.

(iv) The fair value adjustment on the Zhong Shun Acquisition relating to interests previously held by Beijing EB Real Estate as a jointly controlled entity amounting to HK$33,252,000 is treated as a revaluation which is dealt with in the asset revaluation reserve in the equity.

(d) Acquisition of SLP (China) Pte. Ltd.

On 13th November, 2007, Sharp China Limited entered into an agreement with Sim Lian Properties Pte Ltd and Kuik Chim Mui to acquire SLP (China) Pte. Ltd. Pursuant to the agreement, Sharp China Limited agreed to acquire 80% of the share capital of SLP (China) Pte. Ltd at a total consideration of Singapore $260,000 (equivalent to approximately HK$1,697,000) which is to be satisfied by way of cash (the "SLP Acquisition"). SLP (China) Pte. Ltd is principally engaged in property development in the PRC.

The carrying amounts of the identifiable assets and liabilities of SLP (China) Pte. Ltd. immediately before the SLP Acquisition approximate their respective fair values as at the date of SLP Acquisition on 20th November, 2007 which are as follows:

	Carrying amount/ Fair value on the date of acquisition *HK$'000*
Property, plant and equipment	188
Inventories of properties	4,860
Trade and other receivables	7
Bank balances and cash	31,058
Trade and other payables	(1,367)
Amounts due to shareholders	(35,173)
Assets and liabilities acquired	(427)
Goodwill on SLP Acquisition *(note 17)*	2,124
Total consideration	1,697

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) Acquisition of SLP (China) Pte. Ltd. *(Continued)*

An analysis of the net cash inflow arising on the SLP Acquisition is as follows:

	HK$'000
Cash consideration paid	1,697
Bank balances and cash acquired	(31,058)
Net inflow of cash and cash equivalents in respect of the SLP Acquisition	(29,361)

Notes:

(i) The goodwill arising from the SLP Acquisition is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.

(ii) Being in its early stage of development, SLP (China) Pte. Ltd. generated no material revenue and net results for the twelve months ended 31st December, 2007 and did not therefore have significant contribution to the Group's revenue and profit for the period between the date of the SLP Acquisition and the balance sheet date or for the current year had the SLP Acquisition been taken place on 1st January, 2007.

45. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on percentage of the employees' basic salaries 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.

Prior to joining the MPF Scheme, the Group operated another defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group. Forfeited contributions in relation to the Old Scheme, if any, will be used to reduce the contribution payable in the future years.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute 8% to 10% of its 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.

The total expenses recognised in the income statement of HK$3,068,000 (2006: HK$2,615,000) represent contributions payable to these schemes by the Group in the current year.

46. PLEDGE OF ASSETS

At the balance sheet date, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	THE GROUP		**THE COMPANY**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Pledged deposits	**876,858**	–	**250,000**	–
Investment properties	**331,500**	326,040	**–**	–
Inventories of properties	**2,262,800**	1,140,678	**–**	–
Investments held for trading	**5,652**	14,862	**–**	–
	3,476,810	1,481,580	**250,000**	–

The Group has also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for the banking facilities granted to the Group.

47. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. Leases of these properties are negotiated for period ranging from one to twenty-two years and rentals are fixed over the contracted period. At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**4,867**	6,873	**900**	1,200
In the second to fifth year, inclusive	**15,246**	14,688	**–**	900
Over five years	**44,718**	45,359	**–**	–
	64,831	66,920	**900**	2,100

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging from one to nine years. At the balance sheet date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**88,664**	66,230	**6,245**	5,891
In the second to fifth year, inclusive	**232,651**	183,199	**2,785**	2,268
Over five years	**80,266**	26,907	**–**	–
	401,581	276,336	**9,030**	8,159

48. OTHER COMMITMENTS

As at the balance sheet date, the Group and the Company had other significant commitments as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for but not provided in the financial statements:				
Subscription of convertible and non-convertible notes *(note 24)*	**–**	75,711	**–**	75,711
Property development	**1,747,632**	1,446,291	**–**	–
Property, plant and equipment	**2,547**	–	**694**	–
	1,750,179	1,522,002	**694**	75,711

In addition, the Group's share of the jointly-controlled entities' own capital commitments in respect of property development, which are contracted but not provided for and are not included in the above, is HK$835,000 (2006: HK$296,089,000).

49. GUARANTEES

As at the balance sheet date, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to:				
A supplier of an associate to secure the repayment of balance due by the associate to the supplier	**13,525**	26,980	**13,525**	26,980
Bank for credit facilities granted to				
– certain subsidiaries	**–**	–	**281,974**	120,695
– an associate	**22,400**	102,400	**22,400**	102,400
– a jointly controlled entiry	**48,056**	44,789	**–**	–
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	**1,014,623**	290,946	**–**	–
	1,098,604	465,115	**317,899**	250,075

Last year, the Group provided guarantees in respect of the mortgage bank loans granted by certain banks to purchasers of certain jointly controlled entities' properties amounted to HK$216,200,000. No such guarantees existed as at 31st December, 2007.

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

In the opinion of the directors, the financial impact arising from providing financial guarantees by the Group and the Company is insignificant and accordingly, they are not accounted for in these financial statements.

50. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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

	Minority shareholders		Associates		Jointly controlled entities		Related company	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest received from	**–**	1,258	**–**	–	**–**	–	**1,167**	–
Commission paid to	**–**	–	**104**	149	**–**	–	**–**	3
Service income received from	**–**	3,900	**–**	–	**–**	–	**–**	–
Handling income received from	**–**	–	**–**	–	**–**	448	**–**	–

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	**18,505**	18,954
Post-employment benefits	**330**	369
	18,835	19,323

51. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and cash equivalents and pledged deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31st December, 2007 and 2006 were as follows:

	2007	2006
	HK$'000	*HK$'000*
Debt	**2,559,340**	939,010
Less: cash and cash equivalents and pledged deposits	**(1,581,574)**	(488,753)
Net debt	**977,766**	450,257
Capital represented by total equity excluding minority interests	**3,008,655**	2,443,531
Gearing ratio	**32.5%**	18.4%

The Group targets to maintain a gearing ratio ranging from 15% to 45% and the Group's overall strategy remains unchanged throughout the current year.

52. FINANCIAL INSTRUMENTS

52.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*Hk$'000*
Financial assets				
Financial assets at fair value through profit or loss – classified as held for trading	**48,381**	189,244	**–**	–
Loans and receivables (including cash at bank and deposited with security brokers *(note 33)*)	**2,611,551**	1,218,101	**2,280,527**	2,501,807
Available-for sale financial assets	**7,990**	2,920	**7,990**	2,920
Financial liabilities				
Financial liabilities at fair value through profit or loss – classified as held for trading	**6,738**	–	**–**	–
Financial liabilities at amortised cost	**5,556,597**	2,090,576	**980,581**	443,414

52. FINANCIAL INSTRUMENTS *(Continued)*

52.2 Financial results by financial instruments

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Income, expense, gains or losses on financial instruments:		
Gains or (losses) on:		
Financial assets at fair value through profit or loss		
– classified as held for trading	**20,779**	55,326
Financial liabilities at fair value through profit or loss		
– classified as held for trading	**(8,030)**	–
Available-for-sale financial assets		
– recognised directly in equity	**–**	(13,020)
Interest income or (expenses) on:		
Loans and receivables	**26,543**	29,710
Financial liabilities at amortised cost	**(75,603)**	(56,848)
(Impairment loss)/Reversal of impairment on:		
Loans and receivables	**(14,342)**	(19,847)
Available-for-sale financial assets	**15,939**	–

52.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

52.4 Financial risk management

(a) *Market risk*

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK Dollars and RMB with certain of their business transactions being settled in US Dollars and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US Dollars and RMB, against the functional currency of the relevant Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2007 and 2006 were as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Net financial assets/(liabilities)				
US Dollars	**(89,129)**	59,726	**(677)**	13,568
RMB	**5,501**	25,711	**7,221**	20,290

As HK Dollar is linked to US Dollar, the Group does not have material exchange risk on such currencies. As to the fluctuation on RMB against US Dollar, the directors consider that the exchange risk arising from those currencies does not have significant financial impact to the Group in view of a natural hedging situation.

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 Financial risk management *(Continued)*

(a) Market risk (Continued)

Price risk

The Group is exposed to equity security price risk because of its investments in equity securities held for trading and are classified as at fair value through profit or loss (see note 30).

The Group's investments in equity of other entities are publicly traded mainly in the stock exchanges of Hong Kong, the United States and London. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market Index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary.

Management's best estimate of the effect on the Group's profit after tax due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the balance sheet date is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2007	2006
	HK'000	*HK'000*
Increase/(Decrease) in profit after tax		
Hong Kong – Hang Seng Index		
+ 26%	**6,549**	23,390
– 26%	**(6,549)**	(23,390)
London – FTSE 100		
+ 17%	**1,725**	–
– 17%	**(1,725)**	–
U.S.A. – NASDAQ		
+ 17%	**–**	11,935
– 17%	**–**	(11,935)

The change in equity prices do not effect the Group's other components of equity.

Other than the above, the Group is exposed to equity security price risk arising from its investment in derivative financial instruments. Details about the derivative financial instruments are set out in note 31. The effect on the Group's profit after tax as a result of a reasonably possible change in the market price of the underlying equity securities, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2007	2006
	HK'000	*HK'000*
Increase/(Decrease) in profit after tax		
Market price of underlying equity securities		
*+ 20%	**7,938**	6,649
– 20%	**(12,268)**	(40,022)

* When the underlying shares' prices increased by 20%, some of them triggers the knock-out prices and the contracts will be terminated. This analysis only shows the effect up to the knock-out prices.

Interest rate risk

The Group income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2007, approximately 52% (2006: 52%) of the bank borrowings bore interest at floating rates. The interest rate and repayment terms of the bank borrowings outstanding at year end are disclosed in note 38.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 Financial risk management *(Continued)*

(a) *Market risk (Continued)*

Interest rate risk *(Continued)*

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the balance sheet date (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP Increase/(Decrease) in profit after tax		THE COMPANY Increase/(Decrease) in profit after tax	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase/Decrease in basis points ("bp")				
+ 50 bp	**(4,853)**	(1,855)	**(1,598)**	(1,538)
–100 bp	**9,705**	3,770	**3,197**	3,077

The changes in interest rates do not affect the Company's and Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of each loan outstanding at year end resembles that of the current financial year.

(b) *Credit risk*

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's balance sheets and the amount of guarantees issued by the Group as disclosed in note 49.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating. Credit risk on loans and receivables is minimised as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

None of the Group's financial assets are secured by collateral or other credit enhancements except for the amount due from 深圳眾望 as disclosed in note 27(c).

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents as well as the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 Financial risk management *(Continued)*

(c) Liquidity risk (Continued)

The table below analyses the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*
THE GROUP				
As at 31st December, 2007				
Borrowings	1,885,688	573,729	11,720	88,203
Interests payments on borrowings *(note (a))*	91,131	36,290	18,169	36,738
Trade payables *(note b))*	1,290,662	–	–	–
Other payables and accruals	772,633	–	–	–
Derivative financial instruments	6,738	–	–	–
Other liabilities	930,956	3,005	–	–
	4,977,808	**613,024**	**29,889**	**124,941**
As at 31st December, 2006				
Borrowings	832,434	3,470	11,720	91,386
Interests payments on borrowings *(note (a))*	33,408	9,891	20,768	47,146
Trade payables *(note (b))*	572,587	–	–	–
Other payables and accruals	217,926	–	–	–
Other liabilities	358,414	2,639	–	–
	2,014,769	16,000	32,488	138,532
THE COMPANY				
As at 31st December, 2007				
Borrowings	387,463	–	–	–
Interests payments on borrowings *(note (a))*	7,089	–	–	–
Trade payables *(note (b))*	9,684	–	–	–
Other payables and accruals	33,501	–	–	–
Other liabilities	549,933	–	–	–
	987,670	**–**	**–**	**–**
As at 31st December, 2006				
Borrowings	372,948	–	–	–
Interests payments on borrowings *(note (a))*	758	–	–	–
Trade payables	13,559	–	–	–
Other payables and accruals	23,482	–	–	–
Other liabilities	33,425	–	–	–
	444,172	–	–	–

Note:

(a) The interest on borrowings is calculated based on borrowings held as at 31st December, 2007 and 2006 without taking into account future issues. Floating-rate interest is estimated using the current interest rate as at 31st December, 2007 and 2006, respectively.

(b) Around 80% of the trade payables relates to construction costs of EBRE and its subsidiary companies (the "EBRE Group") the settlement of which will, in practice, be deferred by 12 months in view of the strong bargaining power of the EBRE Group over its construction contractors.

The contractual financial guarantees are disclosed in note 49.

52.5 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables (including amounts from/to related companies/parties) is a reasonable approximation of its fair value. The fair value of interest bearing loans is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
China Everbright Real Estate Development Limited	PRC *(Note c)*	Paid up capital	Rmb133,000,000	–	70%	Investment holding and property development
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC *(Note b)*	Paid up capital	US$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC *(Note c)*	Paid up capital	HK$15,000,000	–	100%	Taxi operations
Jodrell Investments Limited	British Virgin Islands	Ordinary	10 shares of US$1 each	100%	–	Investment holding
Pan China Land (Holdings) Corporation	Cayman Islands	Ordinary	2,000,000 shares of HK$0.10 each	–	70%	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	–	70%	Investment holding
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Trading of electric fans
Quanta Global Macao Commercial Offshore Limited	Macau	Paid up capital	Mop100,000	100%	–	Trading of electric fans
Sharp China Ltd	British Virgin Islands	Ordinary	1 share of US$1	–	70%	Investment holding
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US$1	100%	–	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	1,000 shares of HK$10 each	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC *(Note b)*	Paid up capital	US$6,792,000	–	90.1%	Manufacturing and trading of welded tubes

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
SLP (China) Pte. Ltd.	Singapore	Ordinary	1,700,000 shares of S$1 each	–	56%	Investment holding
佛山市順德區蜆華多媒體製品有限公司	PRC *(Note c)*	Paid up capital	US$10,870,000	–	100%	Manufacturing and trading of electric appliances
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Property investment
SMC Marketing Corp.#	USA	Ordinary	10,000 shares of US$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	100%	–	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Trading of electrical appliances
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Design, management and trading of electrical appliances
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Trading of electric fans
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Vineyard Management Company#	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property investment
業盈置業（深圳）有限公司	PRC *(Note c)*	Paid up capital	HK$10,000,000	–	100%	Property investment
蜆壳星盈科技（深圳）有限公司	PRC *(Note c)*	Paid up capital	HK$24,000,000	–	100%	Computer software and hardware development
蜆壳星盈軟件（深圳）有限公司	PRC *(Note c)*	Paid up capital	HK$8,000,000	–	100%	Computer software and hardware development
北京光大房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb28,000,000	–	70%	Investment holding and property development
光大物業管理有限公司	PRC *(Note a)*	Paid up capital	Rmb5,000,000	–	70%	Property management
北京快樂城堡購物中心有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	–	70%	Property investment
北京中京藝苑房地產開發有限責任公司	PRC *(Note a)*	Paid up capital	Rmb30,000,000	–	70%	Property development
北京華世柏利房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb50,000,000	–	63%	Property development

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
呼和浩特光大環城建設開發有限公司	PRC *(Note a)*	Paid up capital	Rmb120,000,000	–	56%	Property development
呼和浩特市景輝房地產開發有限責任公司	PRC *(Note a)*	Paid up capital	Rmb20,000,000	–	70%	Investment holding
呼和浩特市榮城房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	–	70%	Property development
北京光大置業有限責任公司	PRC *(Note a)*	Paid up capital	Rmb50,000,000	–	70%	Property development
上海光大置業發展有限公司	PRC *(Note a)*	Paid up capital	Rmb15,000,000	–	70%	Investment holding
合肥光大置業有限公司	PRC *(Note a)*	Paid up capital	Rmb20,000,000	–	70%	Investment holding
安徽博鴻房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb20,000,000	–	70%	Property development
廣州光大置業有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	–	70%	Property development
廣西光大旅遊投資有限公司	PRC *(Note a)*	Paid up capital	Rmb30,000,000	–	65.8%	Investment holding
廣西桂林光大立元生態家園開發建設有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	–	46.06%	Property development
廣州市光大花園房地產開發有限公司	*PRC (Note a)*	Paid up capital	Rmb100,000,000	–	70%	Property development
廣州市光大花園物業管理有限公司	*PRC (Note a)*	Paid up capital	Rmb3,000,000	–	70%	Property management
北京中順超科房地產開發有限公司	*PRC (Note a)*	Paid up capital	Rmb10,000,000	–	70%	Property development
森聯南太湖(湖州)建設發展有限公司	*PRC (Note a)*	Paid up capital	US$4,499,955	–	56%	Property development

\# *Subsidiaries not audited by Grant Thornton Hong Kong or other Grant Thornton International members firms*

Notes:

(a) The companies are incorporated in the PRC as limited liability companies.

(b) The companies are incorporated in the PRC as sino-foreign equity joint ventures.

(c) The companies are incorporated in the PRC as wholly foreign owned enterprises.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

54. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associated company	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
MDCL-Frontline (China) Limited #	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	–	26.66%	Trading in computer hardware, provision of information technology services and investment holding
China Dynasty Development Ltd. #	British Virgin Islands	Ordinary	1,000 shares of US$1each	–	40%	Property investment
Hong Kong Construction SMC Development Limited #	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd. #	PRC *(note)*	Paid up capital	US$59,000,000	–	20%	Property development

Associates not audited by Grant Thornton Hong Kong or other Grant Thornton International members firms

Note: The company is incorporated in the PRC as wholly foreign owned enterprise.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group.

55. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
廣州市環博展覽有限公司	PRC *(Note a)*	Paid up capital	Rmb50,000,000	–	35%	Property development
上海金鶴數碼科技發展有限公司	PRC *(Note b)*	Paid up capital	US$2,400,000	–	45.5%	Property development
桂林光大國富房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb8,000,000	–	28%	Investment holding
北京通惠房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb100,000,000	–	31.15%	Property development

Notes:

(a) The companies are incorporated in the PRC as limited liability companies.

(b) The company is incorporated in the PRC as sino-foreign equity joint venture.

RESULTS

	For the year ended 31st December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	***HK$'000***
Revenue	1,340,526	1,257,234	1,352,672	1,553,063	**3,552,030**
Profit (loss) before income tax	76,058	(59,496)	165,496	181,811	**741,332**
Income tax expenses	(5,593)	(14,336)	(7,561)	(95,416)	**(198,787)**
Profit (loss) for the year from continuing operations	70,465	(73,832)	157,935	86,395	**542,545**
Profit for the year from discontinued operations	–	197,476	13,006	–	**–**
Profit for the year	70,465	123,644	170,941	86,395	**542,545**
Attributable to:					
Equity holders of the Company	87,819	137,883	157,171	138,833	**434,359**
Minority interests	(17,354)	(14,239)	13,770	(52,438)	**108,186**
	70,465	123,644	170,941	86,395	**542,545**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Earnings per share					
Basic	20 cents	31 cents	33 cents	28 cents	**83 cents**
Diluted	20 cents	N/A	N/A	N/A	**83 cents**

ASSETS AND LIABILITIES

	At 31st December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	***HK$'000***
Total assets	2,583,992	2,656,636	4,666,658	5,661,420	**10,708,389**
Total liabilities	(726,756)	(592,918)	(1,985,331)	(2,947,127)	**(7,239,500)**
	1,857,236	2,063,718	2,681,327	2,714,293	**3,468,889**
Equity attributable to equity holders of the Company	1,956,800	2,059,937	2,270,942	2,443,531	**3,008,655**
Minority interests	(99,564)	3,781	410,385	270,762	**460,234**
	1,857,236	2,063,718	2,681,327	2,714,293	**3,468,889**

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Shell Industrial Building, 12 Lee Chung Street, Chaiwan, Hong Kong *(Note)*	Industrial premises	132,194.00 sq.ft. (including roof area 3,074 sq.ft.)	100%	100%	Long
No. 18 San Yue East Rd., Beijiao Industrial Park, Beijiao Town Shunde, Guangdong Province, the PRC	Industrial premises	62,805.00 sq.m.	100%	100%	Medium
4th Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860.00 sq.ft.	100%	100%	Long
1931 N. Great South-West Parkway Grand Prairie, Texas, U.S.A.	Commercial premises and warehouse	97,134.00 sq.ft.	100%	100%	Freehold
Unit A, 22/F., Bai He Garden, Block 2, Po Bei Road 999 Nong Tsui Wai Region, Shanghai City, the PRC	Staff quarters	161.19 sq.m.	100%	100%	Long
中國廣東省順德市大良區紅崗村委會飛鵝崗162號及168號 *(Note)*	Industrial premises	24,671.74 sq.m.	100%	100%	Medium
Unit Nos. 701 and 702, Block C, Shanghai China Everbright Convention Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
23/F Tower 1, Beijing Ever Bright World Center, No. 28 Ping'anlixi Avenue, Xicheng District, Beijing City, the PRC	Commercial premises	2,309.23 sq.m.	70%	100%	Medium
Level 4, B5 block clubhouse, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Clubhouse	1,139.59 sq.m.	70%	100%	Medium

Note: Partly classified as property, plant and equipment and partly as investment properties.

(B) PROPERTIES HELD FOR INVESTMENT

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Tak King Industrial Building, Lower ground floor, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384.00 sq.ft.	100%	100%	Long
City of Livermoore, County of Alameda, California, U.S.A. (Phases I & II)	Commercial complex	237,913.00 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
Office units RM7104, of CITIC Plaza Office Tower, 233 Tianhe North Road, Tianhe Ju, Guangzhou City, Guangdong Province, the PRC	Commercial	309.55 sq.m.	100%	100%	Medium
中國廣東省深圳市 福田保稅區紅棉道 B105-19-3地段	Hi-tech Industrial factory premises	31,348.00 sq.m. (site area of land)	100%	100%	Medium
Unit Nos. 801 and 802, Block C, Shanghai China Everbright Convention Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
Unit No. 602 of Block 6 and Unit Nos. 1003 and 1103 of Block 11, Hong Qiao Guang Da Garden, Lane 269, Cheng Jia Qiao Road, Minhang District, Shanghai City, the PRC	Residential	540.55 sq.m.	70%	100%	Long
C8 block supermarket, No. 222 Gong Ye Avenue, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Supermarket	2,862.74 sq.m.	70%	100%	Medium
Level 1, B5 block clubhouse, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Clubhouse	998.65 sq.m.	70%	100%	Medium

(C) PROPERTIES HELD AS INVENTORIES

(a) Properties under development

Name/location	Type	Site area	Effective % held	Stage of completion	Lease terms
Various retail units and office units, Phase D, Hefei Ever Bright International Plaza, Shenli Road and Zhanqian Road, Xinzhan District, Hefei City, An Hui Province, the PRC	Commercial premises	7,280.00 sq.m.	70%	65%	Medium
Various residential units, retail shops, office units and car parking spaces, Beijing Yi Pin, Xue Yuan Road, Haidian District, Beijing City, the PRC	Residential and commercial premises	14,151.00 sq.m.	70%	56%	Medium

(C) PROPERTIES HELD AS INVENTORIES *(Continued)*

(b) Properties held for future development

Name/location	Type	Site area	Effective % held	Stage of completion	Lease terms
The parcel of land for Guangzhou Xin Du, Binjiang Road, Guangzhou City, Guangdong Province, the PRC	Land under development	7,243.00 sq.m.	63%	0%	Medium
The parcel of land for Phase F, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Land under development	129,666.00 sq.m.	70%	0%	Medium
The parcel of land for Guangzhou Ever Bright Xiang Garden and Super Mall, Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Land under development	53,975.00 sq.m.	70%	0%	Medium
The parcel of land, No. 466 Hong Kong East Road, Lao Shan District, Qingdao City, Shandong Province, the PRC	Land under development	66,667.00 sq.m.	49%	0%	Medium
The parcel of land and construction project of Beijing Sha He, Sha He Town, Changping District, Beijing City, the PRC	Land under development	545,462.00 sq.m.	63%	0%	Medium
The parcel of land for Guilin Environment, Garden Guiyang Road, Yanshan District, Guangxi Province, the PRC	Land under development	724,396.00 sq.m	46.06%	0%	Medium

(c) Properties held for sale

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Various residential units, retail shops, office units and car parking spaces, Phase A and B, Hefei Ever Bright International Plaza, Shenli Road and Zhanqian Road, Xinzhan District, Hefei City, Anhui Province, the PRC	Residential and commercial premises	17,192.46 sq.m.	70%	100%	Medium

(C) PROPERTIES HELD AS INVENTORIES *(Continued)*

(c) Properties held for sale *(Continued)*

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Tower 1, Beijing Ever Bright World Center, No.28 Ping'anlixi avenue, Xicheng District, Beijing City, the PRC	Commercial premises	55,801.66 sq.m.	70%	100%	Medium
Various residential units, retail shops, office units and car parking spaces, Phase E, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	100,780.00 sq.m.	70%	100%	Medium
A retail unit on Level 2, B5 block clubhouse, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Clubhouse	559.45 sq.m.	70%	100%	Medium

(D) PROPERTIES HELD BY ASSOCIATES

Name/location	Type	Gross floor area	Effective % held	Stage of completion
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road, Guangzhou City, Guangdong Province, the PRC (excluding partly of office units)	Commercial	34,690.00 sq.m.	20%	100%
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road, Guangzhou City, Guangdong Province, the PRC (partly of office units)	Commercial Complex	38,368.95 sq.m.	40%	100%

(E) PROPERTIES HELD BY JOINTLY CONTROLLED ENTITIES

(a) Properties held for future development

Name/location	Type	Site area	Effective % held	Stage of completion	Lease terms
The parcel of land for Beijing Tong Hui He, Jian Wai Zhuan Chang by Street, Chaoyang District, Beijing City, the PRC.	Land under development	29,243.00 sq.m.	31.15%	0%	Medium

(b) Properties held for sale

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Shanghai Jinhe Shuma Tower, Keyuan Road and Zhangheng Road, Shanghai Zhangjiang, Hi-tech Park, Pudong District, Shanghai City, the PRC	Commercial premises	16,876.00 sq.m.	45.5%	100%	Medium