深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 604)

2007 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Net profit attributable to shareholders amounted to HK$1,714.8 million, representing an increase of 113% over 2006;
- Core profit amounted to HK$846.0 million, almost as much as the previous three years combined, stripping out gains (or losses) from non-core asset disposals, fair value gains and deferred taxes;
- Proposed final dividend is HK21.00 cents per share. Combined with the interim dividend of HK8.00 cents paid, the total dividend per share for the year amounted to HK29.00 cents;
- Cash on hand amounted to HK$4,689.8 million as of the end of 2007, and net debt to equity ratio stood at about 50%. Blended average cost of debt remains as low as 5.8%;
- Management expects significant growth in core profit in 2008 and 2009.

The Board of Directors (the “Directors”) of Shenzhen Investment Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007 together with the comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$’000	2006 HK$’000
CONTINUING OPERATIONS			
REVENUE	3	**2,900,410**	1,812,597
Cost of sales		**(1,674,899)**	(944,749)
Gross profit		**1,225,511**	867,848
Other income and gains	3	**888,378**	293,002
Increase in fair value of investment properties		**725,534**	257,739
Selling and distribution costs		**(67,026)**	(38,274)
Administrative expenses		**(401,167)**	(331,649)
Other operating expenses		**(65,284)**	(64,112)
Finance costs	4	**(269,374)**	(183,520)
Share of profits and losses of associates		**423,206**	199,932
PROFIT BEFORE TAX	5	**2,459,778**	1,000,966
Tax	6	**(722,489)**	(190,802)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,737,289**	810,164
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	7	**196,114**	328,212
PROFIT FOR THE YEAR		**1,933,403**	1,138,376
Attributable to:			
Equity holders of the parent		**1,714,821**	803,606
Minority interests		**218,582**	334,770
		1,933,403	1,138,376
DIVIDENDS	8		
Interim		**238,537**	74,905
Adjustment to prior year’s final dividend		**28,360**	2,534
Proposed dividends		**677,950**	564,008
		944,847	641,447
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– For profit for the year		**HK56.97 cents**	HK31.59 cents
– For profit from continuing operations		**HK50.71 cents**	HK18.64 cents
Diluted			
– For profit for the year		**HK55.42 cents**	HK30.62 cents
– For profit from continuing operations		**HK49.34 cents**	HK18.07 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**277,105**	3,435,323
Intangible assets		**–**	37,964
Prepaid land lease payment		**–**	3,803
Goodwill		**322,020**	195,932
Properties under development		**7,114,601**	2,288,385
Investment properties		**3,315,710**	3,083,941
Interests in associates	*16*	**3,726,544**	2,451,628
Available-for-sale investments		**28,987**	410,852
Deferred tax assets		**65,351**	25,495
Total non-current assets		**14,850,318**	11,933,323
CURRENT ASSETS			
Inventories		**372,183**	491,432
Properties under development for sale		**196,486**	238,054
Trade receivables	*10*	**305,941**	159,932
Prepayments, deposits and other receivables		**320,977**	617,290
Financial assets at fair value through profit or loss		**602,990**	307,785
Amounts due from minority shareholders		**82,612**	48,613
Cash and cash equivalents		**4,689,828**	4,211,668
		6,571,017	6,074,774
Assets of disposal groups classified as held for sale/Interests in an associate classified as held for sale	*7*	**4,095,563**	125,845
Total current assets		**10,666,580**	6,200,619
CURRENT LIABILITIES			
Interest-bearing bank loans		**3,547,163**	1,876,557
Derivative financial instruments		**6,275**	–
Trade and notes payables	*11*	**86,965**	178,101
Other payables and accruals		**1,240,076**	2,252,416
Tax payable		**490,544**	157,023
		5,371,023	4,464,097
Liabilities directly associated with the assets classified as held for sale	*7*	**2,377,543**	–
Total current liabilities		**7,748,566**	4,464,097
NET CURRENT ASSETS		**2,918,014**	1,736,522
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,768,332**	13,669,845

	2007	2006
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**6,090,445**	5,506,978
Deferred tax liabilities	**452,939**	366,091
Total non-current liabilities	**6,543,384**	5,873,069
Net assets	**11,224,948**	7,796,776
EQUITY		
Total equity attributable to equity holders of the parent		
Issued capital	**161,417**	141,073
Reserves	**9,009,437**	5,737,435
Proposed dividends	**677,950**	564,008
	9,848,804	6,442,516
Minority interests	**1,376,144**	1,354,260
Total equity	**11,224,948**	7,796,776

NOTES:

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments, convertible bonds and equity investments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.1 Impact of New and Revised Hong Kong Financial Reporting Standards

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

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

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

(a) HKFRS 7 Financial Instruments: Disclosures

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

(b) *Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

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

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

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

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

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

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

1.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKFRS 2	Share-based Payments – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
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[4]

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 March 2007*

[3] *Effective for annual periods beginning on or after 1 July 2008*

[4] *Effective for annual periods beginning on or after 1 January 2008*

[5] *Effective for annual periods beginning on or after 1 July 2009*

The revised HKAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

This amendment to HKFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments

The revised standards of HKFRS 3 and HKAS 27 were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised HKFRS 3 and HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

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

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

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

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

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

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

2. SEGMENT INFORMATION

Business segments

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

	Continuing operations					Discontinued operations					
Year ended 31 December 2007	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Others *HK$'000*	Total *HK$'000*	Infrastructure investment *HK$'000*	Information technology *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Segment revenue:											
Sales to customers	2,015,112	300,020	463,453	121,825	2,900,410	56,053	–	161,714	291,827	509,594	3,410,004
Segment results before increase in fair value of investment properties	650,565	213,528	26,941	640	891,674	12,921	–	45,038	(771)	57,188	948,862
Increase in fair value of investment properties	–	725,534	–	–	725,534	–	–	–	–	–	725,534
Segment results after increase in fair value of investment properties	650,565	939,062	26,941	640	1,617,208	12,921	–	45,038	(771)	57,188	1,674,396
Interest income, dividend income and unallocated gains, net					1,008,734					241,566	1,250,300
Unallocated expenses					(319,996)					–	(319,996)
Finance costs					(269,374)					(112,841)	(382,215)
Share of profits and losses of associates	168,329	66,030	1,101	–	235,460	–	–	13,242	–	13,242	248,702
Unallocated share of profits of associates					187,746					–	187,746
Profit before tax					2,459,778					199,155	2,658,933
Tax					(722,489)					(3,041)	(725,530)
Profit for the year					1,737,289					196,114	1,933,403

	Continuing operations					Discontinued operations					
Year ended 31 December 2006	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Others *HK$'000*	Total *HK$'000*	Infrastructure investment *HK$'000*	Information technology *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Segment revenue:											
Sales to customers	1,007,376	335,993	358,877	110,351	1,812,597	18,504	–	154,475	316,278	489,257	2,301,854
Segment results before increase in fair value of investment properties	417,641	246,851	9,011	1,751	675,254	8,361	–	25,193	(20,974)	12,580	687,834
Increase in fair value of investment properties	–	257,739	–	–	257,739	–	–	–	–	–	257,739
Segment results after increase in fair value of investment properties	417,641	504, 590	9,011	1,751	932,993	8,361	–	25,193	(20,974)	12,580	945,573
Interest income, dividend income and unallocated gains, net					170,031					338,534	508,565
Unallocated expenses					(118,470)					(4,115)	(122,585)
Finance costs					(183,520)					(33,254)	(216,774)
Share of profits and losses of associates	37,458	6,506	1,262	–	45,226	174,255	(23,707)	2,763	(132, 461)	20,850	66,076
Unallocated share of profits of associates					154,706					–	154,706
Profit before tax					1,000,966					334,595	1,335,561
Tax					(190,802)					(6,383)	(197,185)
Profit for the year					810,164					328,212	1,138,376

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents proceeds from the sale of properties, rental income, management fee income and others.

An analysis of revenue, other income and gains is as follows:

	Note	2007 HK$'000	2006 HK$'000
Revenue			
Sale of properties		**2,015,112**	1,007,376
Gross management fee income		**463,453**	358,877
Gross rental income from investment properties		**300,020**	335,993
Others		**121,825**	110,351
Attributable to continuing operations reported in the consolidated income statement		**2,900,410**	1,812,597
Sales of commercial and industrial goods		**291,827**	316,278
Income from transportation services		**161,714**	154,475
Income from infrastructure investment		**56,053**	18,504
Revenue attributable to discontinued operations	*7*	**509,594**	489,257
		3,410,004	2,301,854
Other income			
Gross rental income from property, plant and equipment		**23,553**	17,216
Bank interest income		**142,503**	76,270
Dividend income from investments:			
Available-for-sale investments		**8,430**	74
Interest income on loans receivables		**29,484**	5,087
Others		**38,436**	53,789
		242,406	152,436
Gains			
Gain on disposal of items of property, plant and equipment		**4,171**	197
Gain on disposal of investment properties		**3,601**	–
Fair value gains, net:			
Financial assets at fair value through profit or loss		**227,495**	132,603
Gain on disposal of associates		**96,696**	2,127
Gain on disposal of a subsidiary		**287,050**	–
Gain on disposal of group of assets to minority shareholders		**20,174**	–
Exchange gains		**6,785**	5,639
		645,972	140,566
Other income and gains		**888,378**	293,002

4. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**419,476**	250,705
Bank loans wholly repayable over five years	**107,475**	28,724
Other loans	**2,118**	1,827
Total interest expense on financial liabilities not at fair value through profit or loss	**529,069**	281,256
Less: Interest capitalized	**(146,854)**	(64,482)
	382,215	216,774
Attributable to discontinued operations *(note 7)*	**112,841**	33,254
Attributable to continuing operations reported in the consolidated income statement	**269,374**	183,520
	382,215	216,774

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2007 HK$'000	2006 HK$'000
Depreciation		**89,777**	77,530
Write-back impairment of items of property, plant and equipment		**(7,558)**	(1,517)
Gains on disposal of items of property, plant and equipment		**(7,001)**	(197)
Amortisation of vehicle licenses	*(a)*	**1,944**	1,807
Fair value gains, net:			
Financial assets at fair value through profit or loss		**(227,495)**	(132,603)
Foreign exchange differences, net	*(b)*	**(15,845)**	(9,138)
Dividend income from investments:			
Available-for-sale investments		**(8,430)**	(292)
Gain on disposal of associates		**(96,696)**	(2,127)

Notes:

a. The amortisation of vehicle licences for the year is included in "Profit for the year from discontinued operation" on the face of the consolidated income statement.

b. The amount has included foreign exchange gain of HK$9,060,000 in the current year (2006: HK$3,499,000), which was grouped under profit for the year from discontinued operation.

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Major subsidiaries of the Group operate in Shenzhen, Mainland China, which are subject to the corporate income tax rate of 15%. However, with the new PRC Enterprise Income Tax Law becoming effective on 1 January 2008, the tax rate will increase eventually to 25% in 2012. The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$226,678,000 is charged to the consolidated income statements for the year ended 31 December 2007 (2006: HK$60,604,000).

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**310,876**	113,460
LAT in Mainland China	**226,678**	60,604
Deferred Mainland China corporate income tax	**184,935**	16,738
Total tax charge for the year	**722,489**	190,802

The share of tax attributable to associates of approximately HK$108,106,000 (2006: HK$32,134,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

7. Discontinued operations

On 18 June 2007, the Group entered into preliminary sales and purchase agreements to dispose its entire interests in three subsidiaries, Shenzhen PJLD Securities Products Co., Ltd., Shenzhen Shum Yip Steel Centre Ltd. and Shenzhen Jinghua LCD Ltd. (collectively refer to as the "Manufacturing Group"). The Manufacturing Group engages in manufacturing and sale of industrial and commercial products and is a separate business segment of the Group's operations. The Group has decided to cease its manufacturing business because it plans to focus its resources on its real estate business. The disposal of the Manufacturing Group is expected to be completed in 2008. As at 31 December 2007, final negotiations for the sales were in progress and the Manufacturing Group was classified as a disposal group held for sale.

On 3 January 2007, the Company entered into a sales and purchase contract to sell 49% interests in Huayin Traffic Development Company Limited ("Huayin Traffic"). On 3 December 2007, the Company announced to dispose of the remaining 51% interests in Huayin Traffic and the entire 80% interests in Shenye Shengong (Group) Co., Ltd. and its subsidiaries ("Shenye Shengong"). On 18 Decmber 2007, the Group entered into a sales and purchase agreement for the disposal of its subsidiary, Shumyip Transportation Co., Ltd. ("Shumyip Transportation"). Huayin Traffic holds 91% interests in Hubei Jingdong Expressway Construction and Development Company Limited ("Jingdong Company"), which engages in the construction and operation of the Jingdong Expressway in Hubei Province, Mainland China. Shenye Shengong mainly engages in the provision of transportation and vehicle rentals. Shumyip Transportation engages in the provision of transportation services. The Group has decided to cease its infrastructure investment business and transportation services because it plans to focus its resources on its real estate business. The disposal of Huayin Traffic, Shenye Shengong and Shum Yip Transportation is due to be completed in 2008. As at 31 December 2007, final negotiations for the sales were in progress and Huayin Traffic, Shenye Shengong and Shum Yip Transportation were classified as disposal groups held for sale.

On 28 August 2006, the Company entered into a contract to dispose the entire 55.88% equity interest in a subsidiary, Newton Industrial Limited ("Newton"). Newton in turn through its subsidiaries holds a 34% equity interest in Shenzhen Mawan Power Co., Ltd. ("Mawan"), which operates two power plants in Shenzhen, the PRC. The state authorities have approved this transaction on 24 November 2006. Mawan engages in power generation and is a separate business segment under infrastructure operation. The Group has decided to cease its power generation operation because it plans to focus its resources on the real estate business and other investment opportunities. The disposal of Newton was completed in the year of 2006.

The Group has disposed its entire 31.1% interests in Shenzhen Topway Video Communication Co., Ltd. ("Shenzhen Topway"), an associate of the Group established in Mainland China. Shenzhen Topway engages in the provision of cable TV and other communication network technology services in Shenzhen. On 22 December 2006, the transaction was published for public bidding in the Shenzhen Enterprise Ownership Exchange Centre and the public bidding was completed in January 2007. The Group has entered into a contract to sell all its interests in Shenzhen Topway to an independent third party incorporated in Mainland China. The disposal of Shenzhen Topway was completed in the year of 2007.

On 8 December 2006, the Group entered into a sales and purchase agreement to dispose of its entire 26.76% interests in a joint venture in the PRC, Shenzhen SEG-CNEDC Color Display Device Co., Ltd. ("Shenzhen SEG"), to Shum Yip Holdings Company Limited, the ultimate holding company of the Company. Shenzhen SEG engages in design, manufacturing and sale of display device, cathode ray tube. The Group has decided to cease its manufacturing business because it plans to focus its resources on its real estate business. The disposal of Shenzhen SEG was completed in the year of 2007.

The results of discontinued operations for the year are presented below:

	Infrastructure investment		Information technology		Transportation services		Manufacturing		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**56,053**	18,504	**–**	–	**161,714**	154,475	**291,827**	316,278	**509,594**	489,257
Cost of sales	**(27,378)**	(7,657)	**–**	–	**(90,566)**	(89,456)	**(249,865)**	(266,788)	**(367,809)**	(363,901)
Other income and gains	**51,435***	323,971**	**190,131**	–	**30,221**	15,417	**7,522**	7,900	**279,309**	347,288
Selling and distribution costs	**(624)**	–	**–**	–	**–**	–	**(24,598)**	(16,561)	**(25,222)**	(16,561)
Administrative expense	**(14,959)**	(2,413)	**–**	–	**(46,660)**	(41,507)	**(20,683)**	(32,715)	**(82,302)**	(76,635)
Other operating expenses	**(171)**	–	**–**	–	**(9,672)**	(5,950)	**(4,973)**	(26,499)	**(14,816)**	(32,449)
Finance costs	**(107,236)**	(28,723)	**–**	–	**(4,007)**	(1,811)	**(1,598)**	(2,720)	**(112,841)**	(33,254)
Share of profits and losses of associates	**–**	174,255	**–**	(23,707)***	**13,242**	2,763	**–**	(132,461)***	**13,242**	20,850
Profit/(loss) before tax from discontinued operations	**(42,880)**	477,937	**190,131**	(23,707)	**54,272**	33,931	**(2,368)**	(153,566)	**199,155**	334,595
Tax	**34,774**	–	**(30,585)**	–	**(6,788)**	(5,152)	**(442)**	(1,231)	**(3,041)**	(6,383)
Profit/(loss) for the year from discontinued operations	**(8,106)**	477,937	**159,546**	(23,707)	**47,484**	28,779	**(2,810)**	(154,797)	**196,114**	328,212

* *The amount included the gain on disposal of 49% equity interests in Huayin Traffic of HK$48,738,000.*

** *The amount included the gain on disposal of Mawan of HK$322,986,000, which was included in the discontinued operations of the year 2006.*

*** *The amounts represented the share of losses in Shenzhen Topway and Shenzhen SEG, which were included in the discontinued operations of the year 2006.*

The major classes of assets and liabilities of the disposal groups classified as held for sale as at 31 December are as follows:

	Infrastructure investment		Information technology		Transportation services		Manufacturing		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets										
Property, plant and equipment	**3,148,139**	–	**–**	–	**180,430**	–	**53,393**	–	**3,381,962**	–
Intangible assets	**–**	–	**–**	–	**96,749**	–	**–**	–	**96,749**	–
Prepaid land lease payment	**–**	–	**–**	–	**3,987**	–	**–**	–	**3,987**	–
Goodwill	**99,926**	–	**–**	–	**–**	–	**–**	–	**99,926**	–
Interests in associates	**–**	–	**–**	–	**197,470**	–	**3,526**	–	**200,996**	–
Available-for-sale investments	**–**	–	**–**	–	**620**	–	**–**	–	**620**	–
Inventory	**–**	–	**–**	–	**2,258**	–	**43,970**	–	**46,228**	–
Trade receivables	**1,139**	–	**–**	–	**6,992**	–	**58,094**	–	**66,225**	–
Prepayments, deposits and other receivables	**3,249**	–	**–**	–	**67,102**	–	**10,238**	–	**80,589**	–
Cash and bank	**55,012**	–	**–**	–	**34,800**	–	**28,469**	–	**118,281**	–
Assets classified as held for sale	**3,307,465**	–	**–**	–	**590,408**	–	**197,690**	–	**4,095,563**	–
Liabilities										
Interest-bearing bank loans	**1,705,805**	–	**–**	–	**103,911**	–	**27,656**	–	**1,837,372**	–
Trade payables	**28,436**	–	**–**	–	**1,180**	–	**36,358**	–	**65,974**	–
Other payables, and accruals	**77,880**	–	**–**	–	**161,758**	–	**73,401**	–	**313,039**	–
Deferred tax liabilities	**161,158**	–	**–**	–	**–**	–	**–**	–	**161,158**	–
Liabilities directly associated with the assets classified as held for sale	**1,973,279**	–	**–**	–	**266,849**	–	**137,415**	–	**2,377,543**	–
Net assets directly associated with the disposal groups	**1,334,186**	–	**–**	–	**323,559**	–	**60,275**	–	**1,718,020**	–

The net cash flows incurred from the discontinued operations are as follows:

	Infrastructure investment		Information technology		Transportation services		Manufacturing		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Operating activities	**38,731**	(246,448)	**–**	–	**(73,934)**	(11,398)	**(3,670)**	81,153	**(38,873)**	(176,693)
Investing activities	**–**	–	**151,533**	–	**–**	–	**73,126**	–	**224,659**	–
Financing activities	**(107,236)**	(2,413)	**–**	–	**60,036**	28,564	**(1,796)**	(71,851)	**(48,996)**	(45,700)
Net cash (outflow)/inflow	**(68,505)**	(248,861)	**151,533**	–	**(13,898)**	17,166	**67,660**	9,302	**136,790**	(222,393)

	2007	2006
Earnings per share:		
Basic, from the discontinued operations	**HK6.26 cents**	HK12.95 cents
Diluted, from the discontinued operations	**HK6.09 cents**	HK12.55 cents

The calculations of basic and diluted profit per share amounts from the discontinued operations are based on:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year from discontinued operations	**196,114**	328,212
Results attributable to minority interests	**(7,722)**	1,166
Profit attributable to ordinary equity holders of the parent from the discontinued operations	**188,392**	329,378

	2007	2006
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,010,082,402**	2,543,566,810
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,093,973,138**	2,624,039,624

The following information is provided on the financial assets and financial liabilities of the discontinued operation as at the balance sheet date:

The aged analysis of trade receivables of the discontinued operations based on the invoice date is provided in note 10 to the financial statements.

The maturity profile of interest-bearing bank loans, trade payables and other payables of the discontinued operations as at the balance sheet date, based on contractual undiscounted payments, was as follows:

	Within one year	**One to two years**	**Two to three years**	**Over three years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank loans	**131,567**	**–**	**–**	**1,705,805**	**1,837,372**
Trade payables	**59,468**	**1,484**	**308**	**4,714**	**65,974**
Other payables	**169,782**	**28,340**	**50,142**	**64,775**	**313,039**
Total	**360,817**	**29,824**	**50,450**	**1,775,294**	**2,216,385**

8. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim – HK8.00 cents (2006: HK3.00 cents) per ordinary share	**238,537**	74,905
Adjustment to prior year's final dividend	**28,360**	2,534
Proposed final dividend of HK21.00 cents (2006: final scrip dividend with a cash option of HK8.54 cents) per ordinary share	**677,950**	240,952
Proposed special dividend of Nil cents (2006: special scrip dividend with a cash option of HK11.45 cents) per ordinary share	**–**	323,056
	944,847	641,447

The proposed dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share amounts are based on:

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation			
From continuing operations		**1,526,429**	474,228
From discontinued operations	*7*	**188,392**	329,378
		1,714,821	803,606

	Number of shares **2007**	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,010,082,402**	2,543,566,810
Effect of dilution – weighted average number of ordinary shares:		
Share options	**83,890,736**	80,472,814
	3,093,973,138	2,624,039,624

10. Trade receivables

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**316,743**	172,823
Impairment	**(10,802)**	(12,891)
	305,941	159,932

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, base on the contract date, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**300,902**	147,904
One to two years	**3,426**	11,921
Two to three years	**1,613**	107
	305,941	159,932

The trade receivables of the disposal groups *(note 7)* included amounts of HK$64,514,000, HK$1,635,000, HK$2,000 and HK$74,000 with aging of within one year, one to two years, two to three years and more than three years, respectively.

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

	2007	2006
	HK$'000	*HK$'000*
At 1 January	**12,891**	18,704
Impairment losses recognised	**1,949**	6,174
Impairment losses reversed	**(4,038)**	(11,987)
	10,802	12,891

The aged analysis of the trade receivables that are not considered to be impaired as follows:

	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**301,086**	147,913
Less than one year past due	**4,166**	11,121
	305,252	159,034

11. Trade and notes payables

An aged analysis of the trade and notes payables as at the balance sheet date, based on the payment due date, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**46,285**	121,078
One to two years	**2,825**	6,642
Two to three years	**2,792**	3,069
Over three years	**35,063**	47,312
	86,965	178,101

12. Pledge of assets

(a) Bank loans amounting to HK$132,531,000 (2006: HK$1,628,608,000) were secured by:

(i) certain of the Group's properties under development with a net book value of approximately HK$368,290,000 (2006: HK$122,737,000) ; and

(ii) certain of the Group's completed properties for sale with a net book value of approximately HK$15,919,000 (2006: HK$ 6,209,000) ; and

(b) Bank loans included in the disposal groups of HK$1,710,614,000 were secured by:

(i) the ownership of Jingdong Expressway. The net book value of Jingdong Expressway was approximately HK$3,139,324,000 (2006: HK$2,913,082,000) ; and

(ii) land and buildings which have an aggregate net book value of approximately HK$6,437,000 (2006: HK$5,370,000) .

13. Operating lease arrangements

(i) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to eighteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**251,604**	269,514
In the second to fifth years, inclusive	**440,943**	436,385
After five years	**293,281**	294,879
	985,828	1,000,778

(ii) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for the properties are negotiated for terms ranging from three to nineteen years.

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**3,407**	6,933
In the second to fifth years, inclusive	**5,655**	16,898
After five years	**–**	27,936
	9,062	51,767

14. Capital commitments

	2007	2006
	HK$'000	*HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development		
Contracted, but not provided for:	**2,106,952**	268,075

In addition, the Group's share of the associate's own capital commitment, which is not included above, was as follows:

	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for:	**104,928**	8,698

15. Contingent liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2007	2006
	HK$'000	*HK$'000*
(i) Guarantees for credit facilities granted to:		
Associates*	–	6,877
A third party **	–	19,934
	–	26,811

* *The guarantee granted to an associate was discharged on 20 November 2007.*

** *The guarantee granted to a third party was discharged on 6 February 2007.*

(ii) At 31 December 2007, the Group has given guarantees to a maximum extent of approximately HK$1,040,309,000 (2006: HK$678,246,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate or up to a maximum of two years after the full repayment of mortgaged loan by the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

16. Interests in associates

During 2007, one of the Group's associates, through its 88.46% owned subsidiary, acquired the entire equity interests in two companies established in the People's Republic of China (collectively referred to as the "Investee Companies") at a consideration of RMB563,180,000 (equivalent to HK$592,821,000).

After completion of the acquisition in July 2007, the associate was unexpectedly not able to obtain effective control over the Investee Companies despite the fact that the board of directors of the Investee Companies was appointed by the associate as the former management of the Investee Companies have not yet allowed the representatives of the associate to access the office of the Investee Companies, and have not yet handed over the official seals, the books and records as well as other relevant documents of the Investee Companies. Without such access of official seals and books and records, the associate has not yet effectively obtained control of the Investee Companies.

Despite the fact that the associate has taken steps with a view to obtaining effective control over the Investee Companies, the associate has not yet obtained effective control or exercise significant influence over the operating and financing policies of the Investee Companies. In view of this, the Investee Companies are not currently considered to be subsidiaries or associates of the associate and therefore they are accounted for as available-for-sale investments. Based on the impairment review on the investments in the Investee Companies, in the opinion of the directors of the associate, no impairment on the investment cost of HK$592,821,000 (the amount attributable to the Group: HK$130,776,000) in the Investee Companies is considered as necessary.

The associate has commenced legal proceedings in the Tianjin district People's Court in October 2007 to enforce its rights and to assume effective control over the Investee Companies. The directors, based on advices of the associate's PRC legal advisor, are of the firm belief that the court ruling will be favourable to the associate and accordingly, the associate can assume effective control over the Investee Companies in the foreseeable future.

At 31 December 2007, the associate provided guarantees in favour of banks to provide credit facilities to the Investee Companies amounting to HK$315,789,000 as at 31 December 2007 (the amount attributable to the Group: HK$69,663,000). The bank loans are pledged by the properties including land and properties under development for sale held by the Investee Companies.

The audit opinion for the consolidated financial statements of the Group for the year ended 31 December 2007 has been modified in connection with the captioned issue and is extracted as follows:

"Without qualifying our opinion we draw attention to note 22 to the financial statements. One of the Group's associates currently has not obtained effective control over two of the associate's newly acquired companies established in the People's Republic of China (collectively referred to as the "Investee Companies") despite the fact that the board of directors of the Investee Companies was appointed by the associate due to the circumstances described in note 22. The associate has commenced legal proceedings against the former management of the Investee Companies with a view to obtaining effective control over these companies. As the eventual outcome of the court proceedings cannot be determined with certainty, there exist uncertainties which may affect the following:

- the associate being unable to obtain effective control the Investee Companies or otherwise realise the underlying properties of the Investee Companies, thereby impacting the recoverability of the associate's investments in these companies, of which the amount attributable to the Group is HK$130,776,000.

- the banks seeking payment from the associate in relation to credit facilities to the Investee Companies, of which the amount attributable to the Group is HK$69,663,000 as at 31 December 2007 which has been guaranteed by the associate as described in note 22, in the event that the Investee Companies are not in a position to repay the credit facilities by the maturity date in July 2008."

17. Comparative amounts

The comparative income statement has been restated as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period *(note 7)*.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

In 2007, China's property sector was very volatile. The Group focused on acquiring land reserves, speeding up development and improving efficiency. We reported the fifth consecutive year of growth in net profit attributable to shareholders.

In 2007, we recorded a turnover of HK$2,900.4 million from continuing operations, up 60.0% from the previous year. Net profit attributable to shareholders amounted to HK$1,714.8 million, up 113.0% from 2006. Basic earnings and fully diluted earnings per share amounted to HK56.97 cents and HK55.42 cents respectively. Net asset per share at the end of 2007 grew to HK$3.05 per share, up 33.8% from a year earlier.

Property development

In 2007, we accelerated the development in all our projects, and sales performed satisfactorily. Turnover of HK$2,015.1 million was recognised in respect of 306,000 square metres of contract sales, a growth of 100.0% from the previous year. The average gross profit margin was 45.0%, a drop of 9% from 2006. It was mainly due to properties sold in 2006 were located in Shenzhen where profit margins are higher, and the addition in 2007 projects are outside of Shenzhen with lower margins, which included those in Huizhou and Changsha. As of the end of 2007, our contract sales of 50,000 square metres, by the signed pre-sale contracts of our developed property licensee were mainly from Wuhan Nanhu Rose Bay Phase I. The pre-sale income will be recognised in 2008.

Coastal Greenland is a Hong Kong-listed Chinese property developer. On 23 July 2007, we converted the US$40 million of convertible bonds into 443,862,857 shares of Coastal Greenland representing 16.1% of its enlarged share capital base. As a result, our equity stake in Coastal Greenland become 21.96%. On 30 October 2007, we signed a sales and purchase agreement with HSBC under which we purchased US$50 million in principal value of five-year, secured senior notes and a warrant to purchase 37,207,500 Coastal Greenland shares. For details, refer to our circular published on 21 November 2007.

Road King Infrastructure Limited ("hereinafter referred to as "Road King Infrastructure"), an associated company of the Company, is principally engaged in toll roads operations and real estate development business. In recent years, its real estate business had made significant progresses. In 2007, the real estate income of Road King Infrastructure reached HK$2,407.8 million, a growth of 376.3% over last year. During the year, Road King Infrastructure achieved an attributable net profit to shareholders of HK$851.1 million, contributing to the Group a net profit of HK$187.7 million, a growth of 11.7% over last year.

During the year, the Group disposed its 29% interest in Shenzhen Gaofa Investment Holding Ltd. (hereinafter referred to as "Shenzhen Gaofa") to an independent third party. Shenzhen Gaofa is a company principally engaged in the property development business. The completion of this transaction brought to the Group a net gain after tax of approximately HK$82.2 million and is already included in this year's profit.

During the year, the Group disposed its entire equity interest in Shenzhen Yabao Property Development Company Limited (hereinafter referred to as "Shenzhen Yabao") to an independent third party. Shenzhen Yabao is principally engaged in the development and management of Yabao Industrial City. Yabao Industrial City is located in Longgang, Shenzhen with a total site area of 623,000 square metres. The completion of this transaction brought to the Group a net gain after tax of approximately HK$244.0 million and is already included in this year's profit.

Property projects under construction and land reserves

As of end-2007, we had 21 projects under construction with a total gross floor area of 2,001,000 square metres. Three of these projects were at the pre-sale stage, with a total salable floor area of 236,000 square metres, including Wuhan Nanhu Rose Bay Phase I and Tianan (Nanhai) New Cyber-City Phase I. In 2008, we will have 17 projects for pre-sale, with a total salable floor area of 1,139,000 square metres, including Shumyip Coast Phase III, Wuhan Nanhu Rose Bay Phase I, II, Wanlin Lake Phase II and Tianan Golf Seaview Garden Phase III.

At present, we hold a total of 16,210,000 square metres of land reserves (in gross floor area) in key cities in the Pearl River Delta and central China, the attributable size of which amounted to 11,968,000 square metres (excluding our group interests of 924,000 square metres in Coastal Greenland and 1,641,000 square metres in Road King).

Table of land reserves by location (including projects in progress)

Provinces	Cities	GFA	Attributable GFA	Percentage
		sqm	*sqm*	*%*
Guangdong	Shenzhen	2,861,540	2,184,109	18.25
	Huizhou	1,694,042	1,694,042	14.16
	Dongguan	1,916,663	822,771	6.88
	Panyu	543,523	203,821	1.70
	Nanhai	291,979	98,543	0.82
	Foshan	1,744,878	1,744,878	14.58
	Heyuan	1,450,000	1,450,000	12.12
Hubei	Wuhan	542,918	320,379	2.68
Hunan	Changsha	1,770,000	1,416,000	11.83
Anhui	Chaohu	184,000	147,200	1.23
	Maanshan	1,103,671	739,460	6.18
Jiangsu	Taicang	850,000	318,750	2.66
	Changzhou	686,600	257,475	2.15
	Taizhou	570,094	570,094	4.76
Total		16,209,908	11,967,522	100.00

Property investment

In 2007, a non-wholly owned subsidiary was splitted and therefore the total size of our property investment shrank from 932,000 square metres to 724,000 square metres. However, our property investment business continued to benefit from the appreciation of the property value. We recorded a rental income of HK$300.0 million. In the year, we recorded a fair value gain of HK$725.5 million, and that has been reflected in our profit in the year.

Discontinuing Operations

In December 2006, the Company disposed its 31.1% interest in Shenzhen Topway Video Communication Co., Ltd. by public bidding at Shenzhen Enterprise Ownership Exchange Centre and the transaction was completed in January 2007. The completion of this transaction brought to the Group a net gain after tax of approximately HK$159.5 million and is already included in this year's profit.

During the year, with the approval in the extraordinary general meeting of the Company on 9 February, 2007, the Group disposed its 20.07% beneficial interest in Shenzhen SEG-HITACHI Color Display Device Corporation Limited to Shumyip Holdings Company Limited, the ultimate controlling shareholder of the Group.

On 18 June 2007, the Group entered into letters of intent, proposed to dispose its entire equity interests in Shenzhen PJLD Securities Products Co., Ltd., Shenzhen Shumyip Steel Centre Limited and Shenzhen Jinghua LCD Ltd. (hereinafter referred to as "Manufacturing Group"). The Manufacturing Group is principally engaged in the manufacturing and sale of industrial and commercial products and is a separate business of the Group's operations. Currently, the disposal process is progressed as planned.

During the year, the Group disposed its 49% interest in Hubei Shumyip Huayin Traffic Development Company Limited (hereinafter referred to "Hubei Huayin") to Ping An Insurance (Group) Company of China, Ltd. Hubei Huayin holds a 91% equity interest in Hubei Jingdong Expressway Construction and Development Company Limited (hereinafter referred to as "Hubei Jingdong"). Hubei Jingdong is principally engaged in the construction and operation of Jingdong Expressway in Hubei Province. The completion of this transaction brought to the Group a gain before tax of approximately HK$48.0 million and is already included in this year's profit. On 5 March 2008, the Company entered into an agreement, proposed to dispose its 51% equity interest in Hubei Huayin to 深圳市深業投資開發有限公司, a company beneficiary owned by SSAAC, at a total consideration of RMB609.0 million. Upon completion of this proposed disposal, the Group will cease to own any equity interest in Hubei Huayin. Details of the proposed disposal are contained in the announcement of the Company published on 6 March 2008.

On 8 December 2007, the Group entered into a sale and purchase agreement, proposed to dispose its entire equity interest in Shumyip Transportation Company Limited to Shumyip Holdings Company Limited, the ultimate controlling shareholder of the Company, at a consideration of RMB60.0 million. Shumyip Holdings Company Limited currently holds 45.46% of the issued share capital of the Company. Shumyip Transportation Company Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of transportation services and investment holding. Details of the proposed disposal are contained in the announcement of the Company published on 18 December 2007.

On 3 December 2007, the Group entered into a letter of intent, proposed to dispose its 80% equity interest in Shenzhen Shenkong Industrial (Group) Co., Ltd. (hereinafter referred to as "Shenzhen Shenkong") to Shumyip Holdings Company Limited, the controlling shareholder of the Company. The respective works are progressing as planned and is expected to be completed in 2008.

Post Balance Sheet Events

The Group disposes its entire equity interest in Shumyip Transportation Company Limited to Shumyip Holdings Company Limited, the controlling shareholder of the Company and is scheduled to be completed in 2008. Pursuant to the sale and purchase agreement, the Group received a transaction deposit of RMB12.0 million on 24 December 2007 paid by Shumyip Holdings Company Limited.

The transaction proposed by the Group to dispose it 51% equity interest in Hubei Huayin to 深圳市深業投資開發有限公司is currently in progress according to plan and is expected to be completed in 2008. Pursuant to the agreement, the Group received RMB60.9 million on 1 April 2007 paid by 深圳市深業投資開發有限公司, which is the deposit equivalent to 10% of the consideration.

Business outlook

In 2008, the property sector faces significant challenges from a tighter fiscal and monetary policy by the central government. However, we are optimistic in the sector's long-term outlook. We believe that continued growth in the economy and urbanization will underpin our long-term prosperity.

After two years of efforts, we have completed the disposal of almost all non-core businesses and have become a fully-fledged property developer. We will continue to take advantage of our financial strength and expertise to conduct mergers and acquisitions. Our target in the next few years is to maintain a 15 million square metres in land reserves and about 2 million square metres of projects under construction.

In 2008, our estimated the total gross floor area of property completion amounts to 1,103,000 square metres (781,000 square metres of which will be attributable to us). In 2009, these two corresponding figures will be 1,495,000 and 1,086,000 square metres, respectively.

The projects to be completed in 2008 and 2009 (excluding Road King and Coastal Greenland)

Expected completion in 2008

Project	Location	Usage	GFA *(sqm)*	Stake *(%)*	Attributable GFA *(sqm)*
Water Pine Building	Shenzhen	Industrial	32,600	75.0	24,450
Wuhan Nanhu Rose Bay Phase I	Wuhan	Residential	152,539	75.0	114,404
Wanlin Lake Phase II	Huizhou	Residential	149,117	100.0	149,117
Noah Mountain Forest Phase I (residual part)	Changsha	Residential	8,300	80.0	6,640
Noah Mountain Forest Phase II (Part 1)	Changsha	Residential	70,000	80.0	56,000
Garden Hill Phase I (Part 1)	Huizhou	Residential	45,000	100.0	45,000
Shumyip Coast Phase III (Part 1)	Shenzhen	Residential/ Commercial	170,000	100.0	170,000
Purple Kylin Hill Phase I (Part 1)	Shenzhen	Residential	63,795	100.0	63,795
Tian An Golf Seaview Garden III	Shenzhen	Residential	151,838	37.5	56,939
Tian An (Panyu) New Cyber-City Phase IV	Panyu	Industrial	126,000	37.5	47,250
Tian An (Longgang) New Cyber-City Phase I	Shenzhen	Industrial	66,000	37.5	24,750
Tian An (Nanhai) New Cyber-City Phase I	Nanhai	Industrial	68,523	33.75	23,127

Expected completion in 2009

Project	Location	Usage	GFA	Stake	Attributable GFA
			(sqm)	*(%)*	*(sqm)*
Snow Pine Building	Shenzhen	Industrial	45,800	75.0	34,350
Wuhan Nanhu Rose Bay Phase II	Wuhan	Residential	100,000	75.0	75,000
Times Industrial Park	Shenzhen	Industrial	88,820	100.0	88,820
Noah Mountain Forest Phase II (Part 2)	Changsha	Residential	75,000	80.0	60,000
Noah Mountain Forest Phase II (Part 1)	Changsha	Residential	60,323	100.0	60,323
Garden Hill Phase I (Part 2)	Huizhou	Residential	41,407	100.0	41,407
Euro-view Garden Phase I (Part 1)	Dongguan	Residential	70,000	100.0	70,000
Shumyip Coast Phase III (Part 2)	Shenzhen	Residential/ Commercial	86,177	100.0	86,177
Purple Kylin Hill Phase I (Part 2)	Shenzhen	Residential	40,433	100.0	40,433
Royal Springs Villas	Dongguan	Residential/ Commercial	176,000	100.0	176,000
Noble Residence	Shenzhen	Residential	126,400	100.0	126,400
Chaohu Project	Chaohu	Hotel	30,400	80.0	24,320
Tian An Buji Hongda Building	Shenzhen	Industrial	98,376	37.5	36,891
Tian An (Longgang) New Cyber-City Phase II	Shenzhen	Industrial	117,600	37.5	44,100
Tian An (Longgang) New Cyber-City Phase III	Shenzhen	Industrial	100,000	37.5	37,500
Tian An (Panyu) New Cyber-City Phase V	Panyu	Industrial	117,600	37.5	44,100
Tian An (Nanhai) New Cyber-City Phase II	Nanhai	Industrial	58,400	33.75	19,739
Tian An (Nanhai) New Cyber-City Phase III	Nanhai	Industrial	61,800	33.75	20,888

Financial conditions

As of end-2007, the Group's financial conditions were very sound. Our net assets (after minority interests) amounted to HK$9,848.8 million (2006: HK$6,442.5 million). Net asset per share were HK$3.05 (2006: HK$2.28), up 33.8%. Cash on hand amounted to HK$4,689.8 million (2006: HK$4,211.7 million). Our total borrowings amounted to HK$9,637.6 million (2006: HK$7,383.5 million), of which long-term debts were HK$6,090.4 million (2006: HK$5,507.0 million). Our net debt to equity ratio were 50.2% (2006: 49.2%). The closing in early 2008 of the disposal of the Hubei Huayin, Shenzhen Shenkong and Shumyip Transport will significantly reduce our total debts and our net debt-to-equity ratio.

The Group has debts denominated in both the US dollar and RMB, and virtually all our operations are in RMB. Our currency risks are relatively low. In 2007, we did not hedge our currency exposure.

On 6 February 2008, we secured a three-year loan from Bank of China (Hong Kong) Limited amounting to HK$1,000 million. On 18 March 2008, we secured a three-year loan from DBS Bank Ltd, Hong Kong Branch amounting to HK$300 million. On 3 April 2008, we signed a five-year loan with China Construction Bank Corporation Hong Kong Branch amounting to HK$300 million. All these funds will be used for acquisitions and working capital purposes.

Shareholding structure

As of end-2007, our controlling shareholder, Shumyip Holdings Company Ltd., holds 45.46% of our shares.

In the year, we granted 78,780,000 stock options to directors and other employees, at exercise prices of HK$3.54 and HK$4.768 respectively. In the year, 134,564,000 options were exercised, and a total of 2,000,000 options were cancelled.

On 24 July 2007, we placed 200 million new shares to institutional investors at the price of HK$6.56 per share, raising a total of HK$1,283.0 million in net proceeds. The money is being used to acquire land and accelerate development.

In the year, we distributed 2006 final dividend and special dividend in cash and in specie. As a result, we issued 72,318,124 new shares to those shareholders who chose to receive shares.

As of end-2007, the Company's number of issued share capital is 3,228,332,090.

Number of employees and compensations

As of end-2007, our total number of employees was 14,015, of which 39 worked in Hong Kong. They were mainly managerial and financial professionals. The others 13,976 work in Mainland China.

Our remuneration system is based on a merit basis, taking into account the company's overall performance and the industry practice. The management regularly reviews staff performance and remunerations.

Employee benefits include salaries, allowances, medical insurance and compulsory retirement contributions. We also grant bonuses and issue stock options to employees when their performance meets or exceeds the management's expectations.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK21.00 cents per share in respect of the year ended 31 December 2007 (2006: final dividend of HK8.54 cents and special dividend of HK11.45 cents). Together with the interim dividend of HK8.00 cents per share which was paid on 25 October 2007, the total dividend per share for the year will be HK29.00 cents per share (2006: HK22.99 cents per share). Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or before 6 June 2008 to shareholders whose names appear on the register of members of the Company on 27 May 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 27 May 2008, to Monday, 2 June 2008 (both dates inclusive), during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all completed transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4 p.m. on Monday, 26 May 2008.

RETIREMENT OF DIRECTORS

The Board announces that Mr. XIAO Rihai ("Mr. XIAO") and Mr. LIANG Kaiping ("Mr. LIANG"), executive directors of the Company, shall retire by rotation in accordance with Article 101 of the Company's Articles of Association at the annual general meeting of the Company expected to be held on 2 June 2008 and have notified the Company that due to pursuing a new assignment, they will not seek for re-election as directors of the Company. Mr. XIAO and Mr. LIANG confirm that they have no disagreement with the Board and there is no other matter in relation to their retirement that needs to be brought to the attention of the shareholders of the Company.

The Board also announces that Mr. LEE Yip Wah, Peter ("Mr. LEE"), non-executive director of the Company, shall retire by rotation in accordance with Article 101 of the Company's Articles of Association at the annual general meeting of the Company expected to be held on 2 June 2008 and has notified the Company that due to other job commitments, he will not seek for re-election as director of the Company. Mr. LEE confirms that he has no disagreement with the Board and there is no other matter in relation to his retirement that needs to be brought to the attention of the shareholders of the Company.

The Board takes this opportunity to thank Mr. XIAO, Mr. LIANG and Mr. LEE for their valuable contribution to the Company during their past services with the Company.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules ("Code") as its own code on corporate governance practices. During the year, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael and one non-executive director namely Mr. LEE Yip Wah, Peter. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2007.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders, the public and employees of the Group for their unfailing support, assistance, service and dedication.

By Order of the Board
HU Aimin
Chairman

Hong Kong, 10 April 2008

As at the date of this announcement, the Board comprises eight executive Directors, namely Mr. Hu Aimin, Mr. Zhang Yijun, Mr. Zhao Gesheng, Mr. Xiao Rihai, Mr. Liang Kaiping, Mr. Liu Weijin, Mr. Zhang Huaqiao and Mr. Tam Ping Lung; three non-executive Directors, namely Mr. Lee Yip Wah, Peter, Dr. Wu Jiesi and Mr. Hu Zuoyuan and three independent non-executive Directors, namely Mr. Wong Po Yan, Mr. Wu Wai Chung, Michael and Mr. Li Wai Keung.