深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2008 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Net profit attributable to shareholders fell 49% from a year earlier to HK$873.0 million;
- Contracted but not booked property sales up to the first quarter of 2009 amounted to 133,000 square metres;
- While net gearing stood at 72% as of the end of 2008, cash balance was very high at HK$4,570.9 million. About 56% of the Group's debts are long-term bank loans;
- Gearing will decline in the first half of 2009 on the back of property sales.

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 2008 together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	3	**4,080,821**	3,342,802
Cost of sales		**(2,368,044)**	(2,007,812)
Gross profit		**1,712,777**	1,334,990
Other income and gains	3	**333,737**	696,104
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		**(75,464)**	233,770
Financial liabilities at fair value through profit or loss		**(209,381)**	(6,275)
Increase in fair value of investment properties		**515,280**	725,534
Selling and distribution costs		**(138,845)**	(91,623)
Administrative expenses		**(541,568)**	(464,331)
Other expenses		**(85,901)**	(79,893)
Finance costs	4	**(218,776)**	(274,978)
Share of profits and losses of associates		**432,870**	436,448
PROFIT BEFORE TAX	5	**1,724,729**	2,509,746
Tax	6	**(677,013)**	(729,326)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,047,716**	1,780,420
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	7	**(24,231)**	152,983
PROFIT FOR THE YEAR		**1,023,485**	1,933,403

	Notes	**2008**	2007
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the parent		**873,016**	1,714,821
Minority interests		**150,469**	218,582
		1,023,485	1,933,403
DIVIDENDS	*8*		
Interim		**96,399**	238,537
Adjustment to prior year's final dividend		**(3,297)**	28,360
Proposed final dividends		**257,064**	677,950
		350,166	944,847
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the year		**HK27.19 cents**	HK56.97 cents
– For profit from continuing operations		**HK26.63 cents**	HK51.71 cents
Diluted			
– For profit for the year		**HK27.04 cents**	HK55.42 cents
– For profit from continuing operations		**HK26.48 cents**	HK50.31 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	**2008**	2007
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**561,495**	277,105
Intangible assets		**96,596**	–
Prepaid land lease payment		**4,214**	–
Goodwill		**322,600**	322,020
Investment properties		**3,913,739**	3,315,710
Interests in associates		**4,898,720**	3,353,630
Held-to-maturity investments		**382,054**	382,244
Available-for-sale investments		**17,713**	28,987
Other long term assets		**887,031**	–
Deferred tax assets		**162,171**	65,351
Total non-current assets		**11,246,333**	7,745,047
CURRENT ASSETS			
Inventories		**56,298**	12,151
Completed properties held for sale		**862,094**	360,032
Properties under development		**9,908,772**	7,311,087
Trade receivables	*10*	**705,131**	305,941
Prepayments, deposits and other receivables		**352,276**	403,589
Financial assets at fair value through profit or loss		**17,308**	602,990
Cash and cash equivalents		**4,570,861**	4,689,828
		16,472,740	13,685,618
Assets of disposal groups classified as held for sale	*7*	**–**	4,095,563
Total current assets		**16,472,740**	17,781,181
CURRENT LIABILITIES			
Interest-bearing bank loans		**5,377,765**	3,547,163
Derivative financial instruments		**215,656**	6,275
Trade and notes payables	*11*	**87,438**	86,965
Other payables and accruals		**1,999,976**	1,249,406
Amounts due to the ultimate holding company		**110,838**	–
Tax payable		**873,102**	490,544
		8,664,775	5,380,353
Liabilities directly associated with the assets classified as held for sale	*7*	**–**	2,377,543
Total current liabilities		**8,664,775**	7,757,896
NET CURRENT ASSETS		**7,807,965**	10,023,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,054,298**	17,768,332

	2008	2007
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,054,298**	17,768,332
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**6,873,560**	6,090,445
Deferred tax liabilities	**622,127**	452,939
Total non-current liabilities	**7,495,687**	6,543,384
Net assets	**11,558,611**	11,224,948
EQUITY		
Total equity attributable to equity holders of the parent		
Issued capital	**160,665**	161,417
Reserves	**10,274,147**	9,009,437
Proposed dividend	**257,064**	677,950
	10,691,876	9,848,804
Minority interests	**866,735**	1,376,144
Total equity	**11,558,611**	11,224,948

Notes:

1.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments 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.

1.2 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to 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, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new interpretations and amendments are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) **HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions***

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 buys 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 has had no impact on the financial position or results of operations of the Group.

(c) **HK(IFRIC)-Int 12 *Service Concession Arrangements***

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no significant impact on the financial position or results of operations of the Group.

(d) **HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendment to HKFRS 7 *Financial instruments: Disclosure – Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[6]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets for Customer*[5]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for transfers of assets from customers received on or after 1 July 2009
[6] Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

1.4 Change in accounting policy

Subsequent to the publication of the Group's condensed financial statements for the six months ended 30 June 2008, there were certain discussions in the International Financial Reporting Interpretations Committee (the "IFRIC") of the International Accounting Standards Board regarding investments in associates and partial use of fair value through profit and loss. In light of the latest accounting thinking and practices, the directors of the Company have revisited the Company's accounting policy regarding its trading portfolio investments in certain shares in two companies which it has significant influence, Road King Infrastructure Limited ("Road King") and Coastal Greenland Limited ("Coastal Greenland"). The Group held 4.8% and 0.9% of shares in Road King and Coastal Greenland, respectively, at both 31 December 2007 and 30 June 2008. Such shares were previously accounted for as financial assets at fair value through profit and loss for the year ended 31 December 2007 and six months ended 30 June 2008. The Group also held another 22.06% and 21.71% of equity interests in Road King and Coastal Greenland, respectively, which were accounted for as investments in associates using the equity method. The directors are now of the view that the equity investments in Road King and Coastal Greenland shall be accounted for in its entirety using the equity method. The directors believe that this change in accounting policy can result in the financial statements providing reliable and more relevant information because it provides a more consistent accounting treatment for the Group's equity interests in Road King and Coastal Greenland. The Group has not restated the operating results and financial position for the prior year as the impact on the financial statements is considered not material for the year ended 31 December 2007.

The impact of the change in accounting policy on the Group's condensed financial statements for the six months ended 30 June 2008 is tabulated below:

	30 June 2008
	HK$'000
Condensed consolidated income statement for the six months ended 30 June 2008	
Increase in share of profits and losses of associates	**25,692**
Decrease in fair value losses for financial assets at fair value through profit and loss	**199,203**
Decrease in other income and gains	**(12,757)**
Increase in profit for the period	**212,138**
Increase in basic earning per share (HK cents)	**6.61**
Increase in diluted earning per share (HK cents)	**6.57**
Condensed consolidated balance sheet and equity at 30 June 2008	
Decrease in financial assets at fair value through profit and loss	**(339,805)**
Increase in interests in associates	**576,380**
	236,575
Increase in retained profits	**212,138**
Increase in asset revaluation reserve	**184**
Increase in exchange fluctuation reserve	**24,253**
	236,575

The impact of the change in accounting policy on the Group's financial statements for the year ended 31 December 2008 is tabulated below:

	31 December 2008 *HK$'000*
Consolidated income statement for the year	
Increase in share of profits and losses of associates	**35,044**
Decrease in fair value losses for financial assets at fair value through profit and loss	**426,005**
Decrease in other income and gains	**(5,483)**
Increase in profit for the year	**455,566**
Increase in basic earning per share (HK cents)	**14.19**
Increase in diluted earning per share (HK cents)	**14.11**
Consolidated balance sheet and equity at 31 December 2008	
Decrease in financial assets at fair value through profit and loss	**(112,879)**
Increase in interests in associates	**593,770**
	480,891
Increase in retained profits	**455,566**
Decrease in asset revaluation reserve	**(1,831)**
Increase in exchange fluctuation reserve	**27,156**
	480,891

The impact of the change in accounting policy on the financial statements of the Company for the year ended 31 December 2008 is tabulated below:

	31 December 2008 HK$'000
Company income statement for the year ended 31 December 2008	
Decrease in fair value loss for financial assets at fair value through profit and loss	**31,914**
Decrease in other income and gains	**(2,201)**
Increase in profit for the year	**29,713**
Company balance sheet and equity at 31 December 2008	
Decrease in financial assets at fair value through profit and loss	**(8,074)**
Increase in interests in associates	**37,787**
	29,713
Increase in retained profits	**29,713**

2. Segment information

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

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

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both Group developed properties and non-Group developed properties;

(d) the transportation services segment consists of the provision of passenger and freight transportation services, automobile maintenance, cargo services and other related services;

(e) the manufacturing segment engaged in the manufacture and sale of industrial and commercial products;

(f) the "others" segment comprises, principally, the manufacture and sale of aluminum alloys and other businesses; and

(g) the infrastructure investment segment invested in infrastructure projects of toll roads.

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

Business segments

The following tables present revenue and profit/(loss) for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	**Continuing operations**							**Discontinued operations**			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Property management** *HK$'000*	**Transportation services (taxi and passenger business)** *HK$'000*	**Manufacturing** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*	**Transportation services (cargo business)** *HK$'000*	**Infrastructure investment** *HK$'000*	**Total** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:											
Sales to customers	**2,528,546**	**362,982**	**563,512**	**194,032**	**282,847**	**148,902**	**4,080,821**	**6,838**	**39,470**	**46,308**	**4,127,129**
Segment results before increase in fair value of investment properties	**881,021**	**281,431**	**(10,148)**	**31,816**	**14,136**	**(1,316)**	**1,196,940**	**438**	**8,111**	**8,549**	**1,205,489**
Increase in fair value of investment properties	**–**	**515,280**	**–**	**–**	**–**	**–**	**515,280**	**–**	**–**	**–**	**515,280**
Segment results after increase in fair value of investment properties	**881,021**	**796,711**	**(10,148)**	**31,816**	**14,136**	**(1,316)**	**1,712,220**	**438**	**8,111**	**8,549**	**1,720,769**
Interest income, dividend income and unallocated gains/losses, net							**(25,441)**			**50,630**	**25,189**
Unallocated expenses							**(176,144)**			**–**	**(176,144)**
Finance costs							**(218,776)**			**(83,323)**	**(302,099)**
Share of profits and losses of associates	**202,751**	**46,533**	**1,988**	**4,610**	**–**	**–**	**255,882**	**–**	**–**	**–**	**255,882**
Unallocated share of profits of associates							**176,988**			**–**	**176,988**
Profit before tax							**1,724,729**			**(24,144)**	**1,700,585**
Tax							**(677,013)**			**(87)**	**(677,100)**
Profit/(loss) for the year							**1,047,716**			**(24,231)**	**1,023,485**

Year ended 31 December 2007	Continuing operations							Discontinued operations				
	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Transportation services (taxi and passenger business) *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*	Infrastructure investment *HK$'000*	Information technology *HK$'000*	Transportation service (cargo business) *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Segment revenue:												
Sales to customers	2,015,112	300,020	463,453	150,565	291,827	121,825	3,342,802	56,053	–	11,149	67,202	3,410,004
Segment results before increase in fair value of investment properties	650,565	213,528	26,941	43,101	(771)	640	934,004	12,921	–	1,937	14,858	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	43,101	(771)	640	1,659,538	12,921	–	1,937	14,858	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							(274,978)				(107,237)	(382,215)
Share of profits and losses of associates	168,329	66,030	1,101	13,242	–	–	248,702	–	–	–	–	248,702
Unallocated share of profits of associates							187,746				–	187,746
Profit before tax							2,509,746				149,187	2,658,933
Tax							(729,326)				3,796	(725,530)
Profit for the year							1,780,420				152,983	1,933,403

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:

		Group	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Revenue			
Sale of properties		**2,528,546**	2,015,112
Gross management fee income		**563,512**	463,453
Gross rental income from investment properties		**362,982**	300,020
Sale of commercial and industrial goods		**282,847**	291,827
Income from transportation services (Taxi and passenger business)		**194,032**	150,565
Others		**148,902**	121,825
Attributable to continuing operations reported in the consolidated income statement		**4,080,821**	3,342,802
Income from transportation services (Cargo business)		**6,838**	11,149
Income from infrastructure investment		**39,470**	56,053
Revenue attributable to discontinued operations	*7*	**46,308**	67,202
		4,127,129	3,410,004
Other income			
Gross rental income from property, plant and equipment		**29,458**	33,424
Bank interest income		**86,266**	143,487
Dividend income from investments:			
Available-for-sale investments		**448**	8,430
Financial assets at fair value through profit or loss		**494**	–
Interest income on loans receivable		**67,839**	29,484
Others		**77,770**	51,530
		262,275	266,355

	Group	
	2008	2007
	HK$'000	*HK$'000*
Gains		
Gain on disposal of investment properties	**23,079**	3,601
Gain on disposal of items of property, plant and equipment	**22,202**	6,949
Gain on disposal of associates	**–**	96,696
Gain on disposal of a subsidiary	**2,096**	287,050
Gain on disposal of group of assets to minority shareholders	**–**	20,174
Exchange gains	**24,085**	15,279
	71,462	429,749
Other income and gains	**333,737**	696,104

4. Finance costs

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**619,787**	419,476
Bank loans wholly repayable over five years	**83,323**	107,475
Other loans	**101**	2,118
Total interest expense on financial liabilities not at fair value through profit or loss	**703,211**	529,069
Less: Interest capitalised	**(417,631)**	(146,854)
	285,580	382,215
Other finance costs	**16,519**	–
	302,099	382,215
Attributable to discontinued operations *(note 7)*	**83,323**	107,237
Attributable to continuing operations reported in the consolidated income statement	**218,776**	274,978
	302,099	382,215

5. Profit before tax

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

	2008 *HK$'000*	2007 *HK$'000*
Cost of inventories sold	**1,494,701**	1,307,272
Cost of services provided	**413,907**	343,062
Auditors' remuneration	**6,423**	5,952
Depreciation *(note a)*	**90,343**	89,777
Impairment of trade receivables	**27,098**	1,949
Write-back of impairment of trade receivables	**(1,434)**	(4,038)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**53,476**	52,023
Write-back of impairment of items of property, plant and equipment	**(273)**	(7,558)
Gains on disposal of items of property, plant and equipment *(note b)*	**(22,202)**	(7,001)
Minimum lease payments under operating leases in respect of land and buildings	**11,377**	9,013
Amortisation of vehicle licenses	**6,218**	1,944
Foreign exchange differences, net *(note c)*	**(24,149)**	(15,845)
Bank interest income *(note d)*	**(86,599)**	(144,664)
Gain on disposal of associates	**–**	(96,696)
Gross rental income from investment properties	**(362,982)**	(300,020)
Net rental income from property, plant and equipment *(note e)*	**(19,243)**	(28,916)

Notes:

a. At 31 December 2008, the Group had depreciation of HK$15,949,000 in the current year (2007: nil), which was grouped under profit/(loss) for the year from discontinued operations and disposed of it in current year.

b. The amount for the year 2007 has included gains on disposal of items of property, plant and equipment of HK$52,000, which was grouped under profit/(loss) for the year from discontinued operations.

c. The amount has included foreign exchange gains of HK$64,085 in the current year (2007: HK$566,069), which was grouped under profit/(loss) for the year from discontinued operations.

d. The amount has included bank interest income of HK$333,009 in the current year (2007: HK$1,177,240), which was grouped under profit/(loss) for the year from discontinued operations.

e. The amount has included net rental income from land and buildings of HK$223,000 in the current year (2007: HK$1,455,000) which was grouped under profit/(loss) for the year from discontinued operations.

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the provinces in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2007: 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 18%. 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.

PRC 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$351,604,000 is charged to the consolidated income statement for the year ended 31 December 2008 (2007: HK$226,678,000).

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**257,760**	317,713
LAT in Mainland China	**351,604**	226,678
Deferred Mainland China corporate income tax	**67,649**	184,935
Total tax charge for the year	**677,013**	729,326

Distributions of dividends from subsidiaries established in Mainland China to Hong Kong investors are subject to a 5% withholding tax according to the PRC Enterprise Income Tax Law. The requirement is effective from 1 January 2008. At 31 December 2008, the Group had recognised a deferred tax liability of HK$42,722,000 in respect of the withholding taxes on future dividend distribution by these PRC subsidiaries.

The share of tax attributable to associates of approximately HK$289,701,000 (2007: HK$108,106,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

7. Discontinued operations

In the year 2007, the Group disposed of its entire 31.1% interest in Shenzhen Topway Video Communication Co., Ltd. ("Shenzhen Topway"), an associate of the Group established in PRC. 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 Shenzhen Enterprise Ownership Exchange Centre and the public bidding was completed in January 2007. The Group 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 3 January 2007, the Company entered into a sales and purchase contract to sell its 49% interest 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. 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.

On 5 March 2008, the Group entered into a sales and purchase agreement to dispose of its remaining 51% interests in Huayin Traffic, to 深業集團有限公司, the ultimate holding company. The disposal of Huayin Traffic was completed in the current year.

On 17 March 2008, the Group entered into an agreement with Shum Yip Holdings to dispose of the investment in Shum Yip Transportation Co., Ltd. ("Shum Yip Transportation"). Shum Yip Transportation mainly engages in leasing operation licenses to container truck owners and investment holding. The disposal of Shum Yip Transportation was completed in the current year.

On 3 December 2007, the Group entered into a letter of intention to dispose of its entire 80% interests in Shum Yip Shumkang (Group) Company Limited and its subsidiaries ("Shum Yip Shumkang"), which mainly engages in the provision of transportation services and vehicle rentals. However, the disposal plan was withdrawn in the current year as the Group failed to obtain approval from the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC"). Accordingly, the Group has ceased to reclassify Shum Yip Shumkang as a disposal group held for sale at the balance sheet date.

On 18 June 2007, framework agreements were entered into between the management of Shenzhen PJLD Securities Products Co., Ltd., Shenzhen Shum Yip Steel Centre Ltd. and Shenzhen Jinghua LCD Ltd. (subsidiaries of the Group engaged in manufacturing, collectively referred to as the "Manufacturing Group") and the Group. Pursuant to the agreements, the Group decided to dispose of its entire interests in these subsidiaries to their management. However, the disposal plan has been drawn back due to the reason that they failed to reach consent with the potential buyers regarding to the detailed terms of agreements. Therefore, management of the Group ceased to reclassify the Manufacturing Group as a disposal group held for sale at the balance sheet date.

According to HKFRS 5, if an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with HKFRS 5 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

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

	Infrastructure investment		**Information technology**		**Transportation services**		**Manufacturing**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**39,470**	56,053	**–**	–	**6,838**	11,149	**–**	–	**46,308**	67,202
Cost of sales	**(18,664)**	(27,378)	**–**	–	**(5,318)**	(7,518)	**–**	–	**(23,982)**	(34,896)
Other income and gains	**26,015***	51,435&	**–**	190,131#	**25,240@**	2,523	**–**	–	**51,255**	244,089
Selling and distribution costs	**(286)**	(624)	**–**	–	**–**	–	**–**	–	**(286)**	(624)
Administrative expense	**(12,794)**	(14,959)	**–**	–	**(1,152)**	(4,182)	**–**	–	**(13,946)**	(19,141)
Other expenses	**(170)**	(172)	**–**	–	**–**	(34)	**–**	–	**(170)**	(206)
Finance costs	**(83,323)**	(107,237)	**–**	–	**–**	–	**–**	–	**(83,323)**	(107,237)
Profit/(loss) before tax from discontinued operations	**(49,752)**	(42,882)	**–**	190,131	**25,608**	1,938	**–**	–	**(24,144)**	149,187
Tax	**–**	34,774	**–**	(30,585)	**(87)**	(393)	**–**	–	**(87)**	3,796
Profit/(loss) for the year from discontinued operations	**(49,752)**	(8,108)	**–**	159,546	**25,521**	1,545	**–**	–	**(24,231)**	152,983

* *The amount included the gain on disposal of 51% equity interests in Huayin Traffic of HK$25,459,000 in the current year.*

@ *The amount included the gain on disposal of 100% equity interests in Shum Yip Transportation of HK$25,169,000 in the current year.*

& *The amount included the gain on disposal of 49% equity interests in Huayin Traffic of HK$48,738,000, which was included in the discontinued operations of the year of 2007.*

The amount included the gain on disposal of 31.1% equity interests in Shenzhen Topway in the year of 2007.

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	
		2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	Notes	***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		**–**	14,733	**–**	–	**–**	180,430	**–**	53,393	**–**	248,556
Intangible assets		**–**	3,133,406	**–**	–	**–**	96,749	**–**	–	**–**	3,230,155
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
Inventories		**–**	–	**–**	–	**–**	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 balances		**–**	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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Operating activities	**(60,219)**	38,731	**–**	–	**1,213**	2,414	**–**	–	**(59,006)**	41,145
Investing activities	**–**	–	**–**	151,533	**–**	–	**–**	–	**–**	151,533
Financing activities	**32,387**	(107,236)	**–**	–	**–**	–	**–**	–	**32,387**	(107,236)
Net cash inflow/(outflow)	**(27,832)**	(68,505)	**–**	151,533	**1,213**	2,414	**–**	–	**(26,619)**	85,442

	2008	2007
Earnings per share:		
Basic, from the discontinued operations	**HK0.56 cents**	HK5.26 cents
Diluted, from the discontinued operations	**HK0.56 cents**	HK5.11 cents

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

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) for the year from discontinued operations	**(24,231)**	152,983
Results attributable to minority interests	**42,283**	5,227
Profit attributable to ordinary equity holders of the parent from the discontinued operations *(note 7)*	**18,052**	158,210

	2008	2007
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,210,805,843**	3,010,082,402
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,228,606,472**	3,093,973,138

8. Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim – HK3 cents (2007: HK8 cents) per ordinary share	**96,399**	238,537
Adjustment to prior year's final dividend	**(3,297)**	28,360
Proposed final dividend of HK8 cents (2007: final dividend of HK21 cents) per ordinary share	**257,064**	677,950
	350,166	944,847

The proposed dividend for the year is 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 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	2008 HK$'000	2007 HK$'000
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:			
From continuing operations		**854,964**	1,556,611
From discontinued operations	*7*	**18,052**	158,210
		873,016	1,714,821

	Number of shares 2008	 2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,210,805,843**	3,010,082,402
Effect of dilution – weighted average number of ordinary shares:		
Share options	**17,800,629**	83,890,736
	3,228,606,472	3,093,973,138

10. Trade receivables

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**743,199**	316,743
Impairment	**(38,068)**	(10,802)
	705,131	305,941

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, based on the contract date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**657,230**	300,902
One to two years	**46,024**	3,426
Two to three years	**1,877**	1,613
	705,131	305,941

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**643,974**	301,086
Less than one year past due	**43,879**	4,166
	687,853	305,252

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:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**32,944**	46,285
One to two years	**12,270**	2,825
Two to three years	**2,923**	2,792
Over three years	**39,301**	35,063
	87,438	86,965

12. Pledge of assets

Bank loans amounting to HK$181,728,000 (2007: HK$132,531,000) were secured by:

(i) certain of the Group's properties under development with a net book value of approximately HK$380,360,000 (2007: HK$368,290,000);

(ii) none of the Group's completed properties for sale (2007: HK$15,919,000); and

(iii) certain of the Group's vehicle licenses with a net book value of approximately HK$2,986,603 (2007: Nil)

13. Capital commitments

The Group had the following commitments at the balance sheet date:

	2008	2007
	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:	**2,106,919**	2,106,952
Authorised, but not contracted for:	**320,837**	–

14. Contingent liabilities

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

At 31 December 2008, the Group has given guarantees to a maximum extent of approximately HK$1,275,481,000 (2007: HK$1,040,309,000) 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 date 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 the mortgaged loans 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.

15. Interests in associates

During 2007, Road King 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$632,787,000).

After completion of the acquisition in July 2007, Road King was not able to obtain effective control over the Investee Companies despite the fact that the boards of directors of the Investee Companies were appointed by Road King as the former management of the Investee Companies have not yet allowed the representatives of Road King 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 to the official seals and books and records, Road King has not yet effectively obtained control of the Investee Companies.

Despite the fact that Road King has taken steps with a view to obtaining effective control over the Investee Companies, Road King 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 Road King 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 Road King, no impairment on the investment cost of HK$632,787,000 (31 December 2007: HK$592,821,000) (the amount attributable to the Group: HK$173,257,000 (31 December 2007: HK$130,776,000)) in the Investee Companies is considered as necessary.

Road King commenced legal proceedings in the Tianjin Nankai District People's Court in October 2007 to enforce its rights and to assume effective control over the Investee Companies. However, the legal proceedings against the former management of the Investee Companies were temporarily suspended on the basis that unspecified facts which relate to those proceedings may overlap with unspecified matters under investigation by the Tianjin authorities. In January 2009, Road King received a notice advising that the criminal investigation by the Tianjin authorities was completed and discharged. Based on the advice of Road King's People's Republic of China legal counsel, it is highly probable that Road King could lift the suspension of the legal proceedings against the former management of the Investee companies. The directors of Road King, based on the advice of its legal counsel, are of the firm belief that the court ruling will be favourable to Road King and accordingly, Road King will be able to assume effective control over the Investee Companies in the foreseeable future.

At 31 December 2008, Road King provided guarantees in favour of banks to provide credit facilities to the Investee Companies amounting to HK$337,079,000 (31 December 2007: HK$315,789,000) (the amount attributable to the Group: HK$92,292,000 (31 December 2007: 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 opinion of the independent auditors' report of the Group's financial statements for the year ended 31 December 2008 issued by the auditors, Ernst & Young 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 (the "Associate") currently has not obtained effective control over two of the companies acquired by the Associate in 2007, which were established in the People's Republic of China (collectively referred to as the "Investee Companies") despite the fact that the boards of directors of the Investee Companies were 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. However, the legal proceedings against the former management of the Investee Companies are temporarily suspended on the basis that unspecified facts which relate to those proceedings may overlap with unspecified matters under investigation by the Tianjin authorities. In January 2009, the Associate received a notice advising that a criminal investigation by the Tianjin authorities was completed and discharged. Based on the advice of the People's Republic of China ("PRC") legal counsel of the Associate, it is highly probable that the Associate could lift the suspension of the legal proceedings, which will result in the effective continuation of the Associate's legal proceedings against the former management of the Investee Companies. The directors of the Associate, based on the advice of its PRC legal counsel, are of the firm belief that the court ruling will be favourable to the Associate and accordingly, the Associate will be able to assume effective control over the Investee Companies in the foreseeable future. Accordingly, in the opinion of the directors of the Associate, no impairment on the investment cost in the Investee Companies is considered necessary. However, as the timing of re-opening of the court hearing and 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 over 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 was HK$173,257,000 as at 31 December 2008; and

- the banks seeking payment from the Associate in relation to credit facilities given to the Investee Companies, of which the amount attributable to the Group was HK$92,292,000 as at 31 December 2008 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 June 2009.

16. Loan to an officer

Details of a loan to an officer, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	**31 December 2008**	**Maximum amount outstanding during the year**	**1 January 2008**	**Security held**
	HK$'000	*HK$'000*	*HK$'000*	
Mr. TAM Ping Lung	10,455	10,455	–	Residential property

The rate of interest payable by Mr. TAM under a facility letter is 2.5% below the Hong Kong Dollar Best Lending Rate, which shall be payable in arrears every six months. The principal amount together with the last installment of the interest payable will be repayable upon expiry of the term of the facility letter within one year. The carrying amounts of the loan approximate to its fair value.

17. Comparative amounts

The comparative income statement has been re-presented as if the operations ceased to be classified as discontinued operations during the current year had been classified as continuing operations at the beginning of the comparative period *(note 7)*.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2008, the domestic property sector was affected by international financial tsunami and consolidation of PRC economy and had entered into an adjustment phase. Our property sales had remained lack luster. In facing this serious situation, with securing the funding resources as our primary objective, the Group accelerated its property sales and thereby able to sustain its stable development.

In 2008, we recorded a turnover of HK$4,080.8 million from our continuing operations, up by 22% when compare with the previous year. Profit before taxation was HK$1,724.7 million, down by 31% from the previous year. Net profit attributable to shareholders amounted to HK$873.0 million, a drop of 49% from 2007. Basic earnings amounted to HK27.19 cents. Net assets per share at end of 2008, amounted to HK$3.33, up by 9% from a year earlier.

By not taking into account the net effects of changes in fair values of financial assets and liabilities, investment properties and their respective deferred taxation, net operating profit attributable to shareholders for the year amounted to HK$829.6 million, a drop of 19% from the previous year. Moreover, net profit attributable to shareholders in 2007 included an extraordinary gain of HK$533.7 million in respect of the disposition of associated companies and subsidiaries. Such an amount represented a higher proportion in profit last year. Not including this factor, net profit attributable to shareholders for the year achieved an effective growth of 59% that clearly showed the core businesses of the Group were operating normally and its overall development was stable.

Property Development

During the year, sales performance of all our main projects remained satisfactorily. Net turnover of HK$2,528.5 million was recognized in respect of 260,000 square metres of contract sales, a growth of 25% from the previous year. The average gross profit margin was 51%, an increase of 6 percentage points over 2007. Up to the first quarter of 2009, salable floor area of signed pre-sale contracts for the properties developed by the Group was 133,000 square metres, which were mainly come from Shumyip Coastal Phase III, Purple Kylin Hill, Noble Residence, Wanlin Lake. The pre-sale of this portion will be recognized in 2009.

Projects Under Development and land reserves

As of end 2008, we had 18 projects under construction with a total gross floor area of approximately 1,973,000 square metres. Out of these projects, 10 were at their pre-sale stage with a scheduled salable floor area of approximately 228,000 square metres. These projects include Water Pine, Nanhu Phase I, Shumyip Coast Phase III, Purple Kylin Hill Phase I, Noble Residence, Walin Lake Phase I and Phase II. In 2009, 19 projects with a scheduled salable floor area of approximately 428,000 square metres will enter their pre-sale stage. Some of the major projects include Red Pine, Purple Kylin Hill Phase I, Shumyip Coastal Phase III (Part 2), Royal Spring Villas and Nanhu Rose Bay Phase II.

The land reserve currently held by the Group has a total gross floor area of 11,634,000 square metres, with attributable gross floor area 10,405,000 square metres (excluding our attributable gross floor area of 694,000 square metres in Coastal Greenland and 1,537,000 square metres in Road King respectively). There was no addition to our land reserve during the year.

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

Provinces	Cities	GFA	Attributable GFA	Percentage
		sqm	*sqm*	*%*
Guangdong	Shenzhen	1,722,241	1,615,754	15.53%
	Huizhou	1,548,222	1,522,792	14.63%
	Dongguan	423,679	423,679	4.07%
	Foshan*	1,722,998	1,722,998	16.56%
	Heyuan*	1,530,000	1,530,000	14.70%
Hubei	Wuhan	527,956	361,646	3.48%
Hunan	Changsha	1,735,693	1,388,554	13.34%
Anhui	Chaohu	191,600	153,280	1.47%
	Maanshan*	1,460,000	1,022,000	9.82%
Jiangsu	Taizhou	570,094	570,094	5.48%
Liaoning	Shenyang	201,282	94,603	0.92%
Total		11,633,765	10,405,400	100.00

* *The land premium for these three pieces of land is outstanding.*

Property Investment

In 2008, the property investment business under the Group maintained a stable growing trend. The total size of our property investment was approximately 633,000 square metres. Our rental income for the year was HK$363.0 million, an increase of 21% over last year. During the year, we recorded a revaluation gain of HK$515.3 million in our investment property portfolio, and had already been reflected in our profit this year.

Table of returns on property investments (excluding associated companies)

	31 December 2008	31 December 2007
Total GFA *(In'000 sqm)*	**633**	724
Attributable GFA *(In'000 sqm)*	**576**	616
Fair value of investment properties at end of year *(In HK$ millions)*	**3,914**	3,316
Total assets of the Group at end of year *(In HK$ millions)*	**27,719**	25,526
Net assets of the Group at end of year *(In HK$ millions)*	**10,692**	9,849
Percentage of investment properties on total assets at end of year *(%)*	**14.1%**	13.0%
Percentage of investment properties on net assets at end of year *(%)*	**36.6%**	33.7%

	For the 12 months ended 31 December	
	2008	2007
Rental income *(In HK$ millions)*	**363**	300
Segmental results excluding changes in fair value *(In HK$ millions)*	**281**	213
Increase in fair value during the year *(In HK$ millions)*	**515**	726
Segmental results including changes in fair value *(In HK$ millions)*	**796**	939

Results of Associate Companies

During the year, the results of our investments in associated companies were satisfactory. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, contributed a net profit of HK$177.0 million to the Group, a drop of 6% when compare with last year. Coastal Greenland Limited, a listed company in Hong Kong, contributed a net profit of HK$89.5 million to the Group, an increase of 368% when compare with last year. Shenzhen Tian An Cyberpark Co., Ltd. contributed a net profit of HK$116.7 million to the Group, an increase of 5% from last year.

Discontinued Operations

On 18 June 2007, the Group entered into letters of intent, proposed to dispose the industrial assets held by the Group. Owing to the impact of global financial crisis during the year, we were unable to reach an agreement with potential buyers in respect of the detailed terms of the agreement and therefore, the disposition is suspended temporarily. Hence, these assets were being transferred to continuing operations from discontinued operations.

On 3 December 2007, the Group entered into a letter of intent, proposed to dispose the 80% equity interest it held in Shum Yip Shenkong Industrial (Group) Co., Ltd. (hereinafter referred to as "Shum Yip Shenkong"). As the respective proposal was not approved by the relevant departments of Shenzhen Municipal Government, the disposition works is suspended temporarily. Currently, the Group is actively co-operating with Shenyang government to promote the Wuai Bus Terminal Project owned by Shum Yip Shenkong. Wuai Bus Terminal is a commercial property project located at Shenyang city centre district with flourishing development prospects. The asset will be transferred from discontinued operations to continuing operations.

In June 2008, the Group completed the disposition of its entire equity interests in Shum Yip Transportation Company Limited. Details of the disposition are set out in the announcement of the Company issued on 18 December 2007.

In August 2008, the Group completed the disposition of the 51% equity interests it held in Hubei Shumyip Huayin Traffic Development Company Limited to Shum Yip Holdings Company Limited. Details of the disposition are set out in the announcement of the Company issued on 18 April 2008.

Business Outlook

With the gradual sprawling of global economic crisis as well as its devastating effects, the PRC economy in 2009 will be facing a double downward pressure both in cyclical and structural adjustments. It is expected that China's property sector will remain its adjustment sentiment with property pricing becomes more rational. We believe that, since the second half year of 2008 to date, following the inclined aggressive financial policy adopted by the PRC government as well as its moderate relaxed monetary policy, domestic governments will introduce different measures one after another to support the healthy development of property sector. Amid further consolidation of property sector pricing in the short run, however, in the long run, such an adjustment, augmented by the effective implementation of the above measures, will benefit the recovery and sustained development of property sector.

In 2009, the Group has a total of 19 projects scheduled for sale. Most of them are located at the prime districts in Shenzhen with comprehensive ancillary facilities. These projects include Shumyip Coast, Purple Kylin Hill, Noble Residence and Water Pine. Since the end of 2008, there are signs of sustained rebounds of transaction volume in Shenzhen's property sector. Recently, the provincial government in Guangdong has also introduced a series of measures supporting the development of property sector. As the consolidation of property sectors in Shenzhen and Pearl River Delta districts started quite early and with greater momentum, we expect that the rational pricing adjustment and the effective implementation of different supporting property sector development policies will gradually catalyze the demand for self-living and home-improving housings, leading them to recover from their trough. The Group is confident to achieve its targets of pre-sale GFA of 400,000 square metres and HK$3.8 billion in pre-sale income in 2009.

In 2009, the Group will continue to stand on developing its property operation as its core business. Through our continuous efforts in strengthening the sales of property projects, aggressive adjustment and optimization of our land reserve and investment property portfolio, stringent control in development and management costs, strive to promote the building up and marketing of the Group's brand name, we vouch for maintaining a stable and perpetual development operation for the Group.

In 2009, the total gross floor area of the Group's expected completion projects for the year is approximately 895,000 square metres. It is expected that, by 2010, the gross floor area of the Group's completed projects will approximately be 1,079,000 square metres.

Expected completion in 2009

Project	**Location**	**Usage**	**GFA** *(sqm)*	**Shareholdings** *(%)*
Red Pine	Shenzhen	Industrial	45,800	75%
Nanhu Phase II	Wuhan	Residential	125,645	75%
Garden Hill Phase I (Part 1)	Huizhou	Residential	40,780	100%
Times Industrial Park	Shenzhen	Industrial	87,662	100%
Wanlin Lake Phase II	Huizhou	Residential	117,806	100%
Wanlin Lake Phase III (Section 1 of a villa)	Huizhou	Residential	12,000	100%
Shumyip Coast Phase III (Part 2)	Shenzhen	Commercial/ Residential	86,174	100%
Purple Kylin Hill Phase I (Part 1)	Shenzhen	Residential	63,795	100%
Royal Spring Villas	Dongguan	Commercial/ Residential	29,400	100%
Noble Residence	Shenzhen	Residential	84,846	100%
Wuai Shopping Mall	Shenyang	Commercial	201,282	47%

Expected completion in 2010

Project	Location	Usage	GFA *(sqm)*	Shareholdings *(%)*
Xueshong	Shenzhen	Industrial	50,400	75%
Wanlin Lake Phase III (Section 1 of a small high-rise building)	Huizhou	Residential	35,500	100%
Garden Hill Phase I Part 2)	Shenzhen	Industrial	41,500	100%
Noah Mountain Forest Phase III	Changsha	Residential	77,147	100%
Euro-view Garden Phase I (Part 1)	Dongguan	Residential	180,000	100%
Jinxiu Jiangcheng Phase I	Jiangyan	Residential	65,000	100%
Purple Kylin Hill Phase I (Part 2)	Shenzhen	Residential	40,433	100%
Purple Kylin Hill Phase II	Shenzhen	Commercial/ Residential	169,692	100%
Royal Spring Villa, High Floors	Dongguan	Commercial/ Residential	142,481	100%
Shunde Shumyip City Phase I	Foshan	Commercial/ Residential	246,908	100%
Chaohu Phase I	Chaohu	Hotel	30,400	80%

Financial Position

As at 31 December 2008, the Group's financial position was healthy. Our net assets (after minority interests) amounted to HK$10,691.9 million (2007: HK$9,848.8 million). Net asset per share (after minority interests) was HK$3.33 (2007: HK$3.05), up by 9%.

As at 31 December 2008, cash on hand amounted to HK$4,570.8 million (2007: HK$4,689.8 million), of which 84% and 16% were denominated in RMB and other currencies (mainly in US$ and HK$) respectively. Renminbi is not a freely exchanged currency. However, according to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange, the Group is allowed to exchange RMB into other currencies through banks with approved rights to transact foreign exchange business.

Our total borrowings as at 31 December 2008 amounted to HK$12,251.3 million (2007: HK$9,637.6 million), of which HK$9,508.9 million were at floating interest rates (31 December 2007: HK$3,724.0 million) and the balance were at fixed interest rates. In the amount, long-term portion amounted to HK$6,873.5 million (2007: HK$6,090.4 million) and short-term portion was HK$5,377.8 million (31 December 2007: HK$3,547.2 million). Net debt to net asset (after minority interests) ratio was 72% (31 December 2007: 50.2%).

As the cash inflow of the operating business of the Group is mainly in RMB, and the assets held and debts undertaken by the Group are mainly in RMB and US$, therefore, fluctuations in RMB exchange rates have short-term positive effects to the Group.

Shareholding Structure

As at 31 December 2008, our biggest shareholder, Shum Yip Holdings Company Ltd., held approximately 47.42% of our shareholdings.

During the year, the Company granted 24,000,000 shares options to directors and employees, of which 12,000,000 share options had an exercise price of HK$3.85 per share with the balance of 12,000,000 share options having an exercise price of HK$3.49. A total of 19,823,000 options were exercised during the year, and a total of 40,470,000 options were cancelled. During the year, 34,860,000 shares of the Company were being repurchased.

As at 31 December 2008, the issued share capital of the Company was 3,213,295,090 shares.

Headcount and Remuneration

As at 31 December 2008, the total number of staff employed by the Group was 12,454, of which 30 of them, mainly managerial and financial professionals, were working in Hong Kong. The rest of the 12,424 staff was working in Mainland China.

Our remuneration system is operated on a merit basis which takes into account the factors like individual performance, professional qualifications, industry experience and respective market trend. The management of the Group regularly reviews the remuneration policy and assesses the performance of our staff.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also issue bonuses and grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8.00 cents per share in respect of the year ended 31 December 2008 (2007: final dividend of HK21.00 cents). Together with the interim dividend of HK3.00 cents per share which was paid on 23 October 2008, the total dividend per share for the year will be HK11.00 cents per share (2007: 29.00 cents per share). Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or before 8 June 2008 to shareholders whose names appear on the register of members of the Company on 29 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 29 May 2009, to Wednesday, 3 June 2009 (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 Wednesday, 27 May 2009.

RETIREMENT OF DIRECTORS

The Board announces that Mr. HU Aimin, Mr. LIU Weijin and Mr. WONG Po Yan, 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 3 June 2009 and being eligible, offer themselves for re-election.

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. 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 2008.

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, the Company repurchased and subsequently cancelled the following shares of the Company on the Stock Exchange:

Date of Repurchase	**Number of shares repurchased HK$0.05 each**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$*
24/01/2008	9,972,000	4.00	3.55	37,873,500.00
25/01/2008	3,470,000	3.95	3.78	13,459,640.00
28/01/2008	5,000,000	3.80	3.70	18,703,940.00
29/01/2008	6,706,000	3.80	3.74	25,249,760.00
30/01/2008	5,000,000	3.79	3.47	18,100,360.00
31/01/2008	4,712,000	3.58	3.41	16,597,580.00

The nominal value of the cancelled shares of HK$1,743,000, was credited to capital redemption reserve and the aggregate consideration was paid out from the company's retained profits.

The repurchases were made for the benefit of the shareholders with a view to enhancing the earnings per share of the Company.

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

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, 20 April 2009

As at the date of this announcement, the Board comprises 8 directors, of which Mr. HU Aimin, Mr. ZHANG Yijun, Mr. ZHAO Gesheng and Mr. LIU Weijin are the executive directors of the Company, Dr. WU Jiesi is the non-executive director of the Company and Mr. WONG Po Yan, Mr. WU Wai Chung, Michael and Mr. LI Wai Keung are the independent non-executive directors of the Company.