



中國基建投資有限公司

China Infrastructure Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 600)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

CHAIRMAN'S STATEMENT

2007 marked a turning point for the Group's business. Given the surged land price and the increasing cost of property development in Macau, the Group had to review its investment strategy. In 2007, fortunately, we acquired the interest of a parcel of land located in Hunnan New District, Shenyang, China on concessionary terms, and established the strategic alliance with Pan-China Construction Group, the partner of this project. As such, the Group had an opportunity to cooperate close with a major property developer in the PRC and to participate in such a large project though we had relatively less capital and were unfamiliar with the PRC property market.

Pan-China Construction Group has engaged in the urban development and the investment in construction for years with great achievements. By capitalizing on the extensive business network and rich professional experience of Pan-China Construction Group, the Company expects to further expand its scale of urban construction and property development in China. Also, we believe that our powerful financing capability will facilitate Pan-China Construction Group to acquire more property development project of large scale in prime areas.

We have full confidence in our investment in the property development project in Shenyang. As Hunnan New District is located in the prime lot of Shenyang to which Olympic gymnasium is adjacent, it will stimulate substantially the demand for the property development in the district. During the period from 2006 to the first half of 2007, the gross domestic product of Shenyang saw a double-digit increase which reflected the enormous potential growth of Shenyang. The land property acquired by us will be developed into a landmark composite development project of luxurious residential and commercial properties, comprising shopping malls, hotels as well as office and residential buildings. In the light of the aforesaid promising prospect, we believe that the property project will bring satisfactory income to us after its completion.

In the first quarter of the year, we sold three properties in Macau successfully which contributed respectable revenue to the Group. Hence, with the increase of cash flow, the Group's gearing ratio was reduced sharply and our capability of investment in PRC projects for 2008 was strengthened.

As the constructions of ancillary facilities of urban infrastructure are mostly encouraged by the nation, the management is proactively researching on various infrastructure investment projects recommended by Pan-China Construction Group in order to develop closer cooperation with Pan-China Construction Group and expand our investment portfolio for steady and satisfactory investment returns in the long term.

I will supervise the management to continuously strive hard to identify investment opportunities of great potential and use the Group's financial resources effectively for creating remarkable returns to the shareholders and investors of the Company.

On behalf of the Company and the management, I would like to thank our staff for their contributions to the Group in the past. Their support and devotion is the key to the Group's success.

Law Kar Po
Chairman

28 April 2008

The Board of Directors (the "Board") of China Infrastructure Investment Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 together with comparative figures for the year ended 31 December 2006 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Continuing operations			
Turnover	3	96,119	72,873
Direct costs		(72,987)	(51,290)
		23,132	21,583
Other revenue	4	4,239	2,260
Other net income	4	3,772	438
Release of negative goodwill		5,257	–
Valuation gains on investment property		9,633	–
Selling and distribution costs		(5,708)	(3,312)
General and administrative expenses		(40,770)	(35,169)
Loss from operations		(445)	(14,200)
Finance costs	5	(22,785)	(6,528)
Share of profits less losses of associates	6	123,799	95,465
Profit before taxation		100,569	74,737
Income tax	7	(9)	–
Profit after income tax from continuing operations		100,560	74,737
Discontinued operations			
Loss from discontinued operations		–	(17,437)
Profit for the year		100,560	57,300

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Attributable to:			
– Equity shareholders of the Company		101,973	57,246
– Minority interests		(1,413)	54
		<hr/>	<hr/>
Profit for the year		<u>100,560</u>	<u>57,300</u>
Earnings per share (<i>HK cents per share</i>)			
Basic			
For continuing and discontinued operations	<i>10(a)</i>	<u>3.23</u>	<u>2.09</u>
For continuing operations	<i>10(b)</i>	<u>3.23</u>	<u>2.73</u>
Diluted			
For continuing and discontinued operations	<i>10(a)</i>	<u>2.76</u>	<u>1.93</u>
For continuing operations	<i>10(b)</i>	<u>2.76</u>	<u>2.48</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets		
Investment property	68,520	61,114
Property, plant and equipment	12,775	5,956
Properties under development	523,905	389,267
Interests in associates	730,443	657,906
	1,335,643	1,114,243
Current assets		
Trading securities	59	43
Inventories	7,391	7,748
Properties held for sale	384,243	85,662
Trade and other receivables	72,119	19,014
Cash and cash equivalents	102,182	35,495
	565,994	147,962
Non-current asset held for sale	314,276	–
Total current assets	880,270	147,962
Current liabilities		
Trade and other payables	(537,917)	(154,285)
Interest bearing borrowings, secured	(253,375)	(289,245)
Obligations under finance leases	–	(13)
	(791,292)	(443,543)
Net current assets/(liabilities)	88,978	(295,581)
Total assets less current liabilities	1,424,621	818,662
Non-current liabilities		
Convertible notes	(171,412)	(77,527)
Interest bearing borrowings, secured	(21,400)	–
Provision for long service payments	(594)	(934)
Deferred tax liabilities	(75,910)	–
	(269,316)	(78,461)
NET ASSETS	1,155,305	740,201
CAPITAL AND RESERVES		
Share capital	178,145	141,541
Reserves	873,989	598,387
Total equity attributable to equity holders of the Company	1,052,134	739,928
Minority interests	103,171	273
TOTAL EQUITY	1,155,305	740,201

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group’s and the Company’s objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER

The Group is principally engaged in property development, property investments and trading of leather products. The Group ceased the retailing business and provision of healthcare and medical related services following the disposal of those subsidiaries in 2006.

The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Continuing operations		
Sale of leather products	68,243	72,532
Gross rentals from investment properties	919	341
Gross proceeds from properties sold	26,957	–
	<u>96,119</u>	<u>72,873</u>
Discontinued operations		
Revenue from retailing business	–	9,300
Revenue from healthcare and medical-related services	–	567
	<u>–</u>	<u>9,867</u>
	<u>96,119</u>	<u>82,740</u>

4. OTHER REVENUE AND NET INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other revenue		
Continuing operations		
Interest income	3,925	1,180
Rentals receivable from operating leases other than those relating to investment properties	314	587
Others	–	493
	<u>4,239</u>	<u>2,260</u>
Discontinued operations		
Interest income	–	18
Commission income	–	238
Rentals receivable from operating leases other than those relating to investment properties	–	205
Others	–	48
	<u>–</u>	<u>509</u>
	<u>4,239</u>	<u>2,769</u>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other net income		
Continuing operations		
Reversal of impairment loss for bad and doubtful debts	107	11
Net exchange gains	375	4
Net realised and unrealised gains/(losses) on trading securities	16	(7)
Others	681	430
Reversal of provision for long service payments	340	–
Gain on disposal of investment properties	444	–
Bad debts recovered	3	–
Reversal of rental payable	1,806	–
	<u>3,772</u>	<u>438</u>
Discontinued operations		
Net exchange gains	–	66
	<u>–</u>	<u>66</u>
	<u>3,772</u>	<u>504</u>

5. FINANCE COSTS

	Continuing Operations		Discontinued operations		Consolidated	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	17,675	14,103	–	–	17,675	14,103
Effective interest expenses of convertible notes	5,108	3,552	–	–	5,108	3,552
Finance charges on obligations under finance leases	1	8	–	16	1	24
Other borrowing costs	4,734	372	–	–	4,734	372
Total borrowing costs	27,518	18,035	–	16	27,518	18,051
Less: borrowing costs capitalized into*						
– properties under development	(4,733)	(11,140)	–	–	(4,733)	(11,140)
– investment properties	–	(367)	–	–	–	(367)
	<u>22,785</u>	<u>6,528</u>	<u>–</u>	<u>16</u>	<u>22,785</u>	<u>6,544</u>

* The borrowing costs have been capitalised at a rate of 11% per annum (2006: 5.9%-7.0%).

6. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Hotel Golden Dragon (Macao) Company Limited

The 40% interest in Hotel Golden Dragon (Macao) Company Limited (“Hotel Golden Dragon”) was acquired by the Group in 2005. Pursuant to the Provisional Sale and Purchase Agreement dated 3 January 2005 entered into between the vendors and Pearl Oriental Macau Limited (the “Purchaser”, a wholly owned subsidiary of the Company), the vendors guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation of Hotel Golden Dragon for each of the three years for the period from 5 January 2005 to 4 January 2008, before the payment of bank loan interest, shall not be less than HK\$200 million.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax expense	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>

Hong Kong profits tax was not provided for in the financial statements as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2007 and 2006.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 33%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on prevailing legislation, interpretations and practice in respect thereof during the year.

The PRC Enterprises Income Tax was not provided for in the financial statements as PRC subsidiaries did not have any assessable profits during the years ended 2007 and 2006.

In accordance with the relevant approval documents issued by the Mainland China tax authorities, certain subsidiaries of the Company operating in Mainland China are exempted from Mainland China corporate income tax for the first two profitable calendar years of operating and thereafter are eligible for a 50% relief from Mainland China corporate income tax for the following three years.

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK\$14,750,000 (2006: HK\$63,054,000) which has been dealt with in the financial statements of the Company.

9. SEGMENT INFORMATION

Business segments

In accordance with the Group’s internal financial reporting and management purposes, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

In 2007, the Group is organised into two business segments, namely (i) property development and investments and (ii) trading of leather products. In last year, in addition to the foregoing business segments, the Group had retailing, healthcare and medical related services segments which were ceased in 2006.

Segment information about these businesses is presented below.

Year ended 31 December 2007

	Continuing operations				Discontinued operations				Consolidated	
	Property development and investment <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Un- allocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Retailing <i>HK\$'000</i>	Healthcare and medical business related <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>27,876</u>	<u>68,243</u>	<u>-</u>	<u>-</u>	<u>96,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,119</u>
Segment results	<u>7,132</u>	<u>(1,402)</u>			<u>5,730</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>5,730</u>
Unallocated operating income and expenses					(11,432)				-	(11,432)
Release of negative goodwill					<u>5,257</u>				<u>-</u>	<u>5,257</u>
Loss from operations					(445)				-	(445)
Finance costs					(22,785)				-	(22,785)
Share of results of associates					<u>123,799</u>				<u>-</u>	<u>123,799</u>
Profit before taxation					<u>100,569</u>				<u>-</u>	<u>100,569</u>
Taxation					<u>(9)</u>				<u>-</u>	<u>(9)</u>
Profit for the year					<u>100,560</u>				<u>-</u>	<u>100,560</u>
Segment assets	<u>2,063,775</u>	<u>28,017</u>	<u>474,546</u>	<u>(350,425)</u>	<u>2,215,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,215,913</u>
Segment liabilities	<u>(1,505,494)</u>	<u>(80,312)</u>	<u>(283,592)</u>	<u>808,790</u>	<u>(1,060,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,060,608)</u>
Other segment information										
Capital expenditure	189,136	921	104	-	190,161	-	-	-	-	190,161
Depreciation	<u>653</u>	<u>1,334</u>	<u>355</u>	<u>-</u>	<u>2,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,342</u>

Year ended 31 December 2006

	Continuing operations					Discontinued operations				Consolidated
	Property development and investment <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Un-allocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Retailing <i>HK\$'000</i>	Healthcare and medical related business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	341	72,532	-	-	72,873	9,300	567	-	9,867	82,740
Segment results	280	(661)			(381)	(11,339)	(6,172)		(17,511)	(17,892)
Unallocated operating income and expenses					(13,819)				-	(13,819)
Loss from operations					(14,200)				(17,511)	(31,711)
Finance costs					(6,528)				(16)	(6,544)
Share of results of associates					95,465				90	95,555
Profit/(loss) before taxation					74,737				(17,437)	57,300
Taxation					-				-	-
Profit/(loss) for the year					74,737				(17,437)	57,300
Segment assets	541,863	31,468	1,176,121	(490,279)	1,259,173	3,032	-	-	3,032	1,262,205
Segment liabilities	(544,101)	(82,320)	(621,589)	732,206	(515,804)	(17,940)	-	11,740	(6,200)	(522,004)
Other segment information										
Capital expenditure	377,650	2	103	-	377,755	825	-	-	825	378,580
Depreciation	9	1,267	358	-	1,634	370	682	-	1,052	2,686

Geographical segments

The Group's operations are located in Hong Kong, Macau and other region in the People's Republic of China ("PRC").

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Continuing operations

	Hong Kong		Macau		Other regions in the PRC		Others		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 from external customers	<u>34,469</u>	<u>42,237</u>	<u>27,691</u>	<u>341</u>	<u>32,482</u>	<u>28,608</u>	<u>1,477</u>	<u>1,687</u>	<u>96,119</u>	<u>72,873</u>
Segment assets	<u>194,060</u>	<u>58,567</u>	<u>1,183,775</u>	<u>1,200,606</u>	<u>838,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,215,913</u>	<u>1,259,173</u>
Capital expenditure incurred during the year	<u>104</u>	<u>105</u>	<u>646</u>	<u>377,650</u>	<u>189,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,161</u>	<u>377,755</u>

Discontinued operations

	Hong Kong		Macau		Other regions in the PRC		Others		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 from external customers	<u>-</u>	<u>6,603</u>	<u>-</u>	<u>2,698</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,867</u>
Segment assets	<u>-</u>	<u>3,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,032</u>
Capital expenditure incurred during the year	<u>-</u>	<u>74</u>	<u>-</u>	<u>751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>825</u>

	Total	
	2007	2006
	HK\$'000	HK\$'000
Revenue from external customers	<u><u>96,119</u></u>	<u><u>82,740</u></u>
Segment assets	<u><u>2,215,913</u></u>	<u><u>1,262,205</u></u>
Capital expenditure incurred during the year	<u><u>190,161</u></u>	<u><u>378,580</u></u>

10. EARNINGS PER SHARE

(a) From continuing and discontinued operations

(i) Basic earnings per share

The calculation of basic earnings per share is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>101,973</u>	<u>57,246</u>
Number of shares		
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,830,825,840	2,430,822,840
Effect of issue of shares for the placings	34,727,495	302,465,753
Effect of warrants exercised	128,650,934	1,118
Effect of conversion of convertible notes	<u>158,764,105</u>	–
Weighted average number of ordinary shares at 31 December	<u>3,152,968,374</u>	<u>2,733,289,711</u>

(ii) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2007 is calculated based on the profit of HK\$107,046,000 (2006: HK\$60,798,000) and the weighted average number of ordinary shares of 3,873,787,129 (2006: 3,151,493,631) attributable to the equity holders of the Company and is calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	101,973	57,246
After tax effect of effective interest on liability component of convertible notes	<u>5,073</u>	<u>3,552</u>
Profit attributable to equity holders of the Company	<u>107,046</u>	<u>60,798</u>

Weighted average number of ordinary shares (diluted)

	Number of shares	
Weighted average number of ordinary shares at 31 December	3,152,968,374	2,733,289,711
Effect of deemed conversion of warrants	253,888,635	–
Effect of deemed conversion of convertible notes into the Company's new ordinary shares	<u>466,930,120</u>	<u>418,203,920</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>3,873,787,129</u>	<u>3,151,493,631</u>

The computation of diluted earnings per share for 2006 does not assume the exercise of warrants of the Company because the effect of exercise of outstanding warrants would be anti-dilutive.

(b) From continuing operations

(i) Basic earning per share

The calculation of basic earnings per ordinary share is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>101,973</u>	<u>74,683</u>
Number of shares		
Weighted average number of ordinary shares (same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	<u>3,152,968,374</u>	<u>2,733,289,711</u>

(ii) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2007 is calculated based on the profit attributable to the equity holders of the Company of HK\$107,046,000 (2006: HK\$78,235,000) and the weighted average number of ordinary shares of 3,873,787,129 (2006: 3,151,493,631), calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	101,973	74,683
After tax effect of effective interest on liability component of convertible notes	<u>5,073</u>	<u>3,552</u>
Profit attributable to equity holders of the Company	<u>107,046</u>	<u>78,235</u>
Number of shares		
Weighted average number of ordinary shares (same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	<u>3,873,787,129</u>	<u>3,151,493,631</u>

The computation of diluted earnings per share for the 2006 does not assume the exercise of warrants of the Company because the effect of exercise of outstanding warrants would be anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the Group commenced the investment and development of commercial properties in the PRC in order to enhance its investment returns and seek better investment opportunities.

In July 2007, the Group entered into the strategic cooperation agreement with Pan-China Construction Group Limited (“Pan-China Construction Group”) to establish the strategic alliance. Pursuant to the agreement, both parties shall have an all-round cooperation within and outside the PRC in respect of the construction, investment and operation of urban infrastructure and real estate. The first project under the cooperation between the Group and Pan-China Construction Group Limited is Pan-China Commercial Square (泛華商業廣場) located in Hunnan New District, Shenyang, PRC.

In addition to the development of new investment project, the management took profit from selling part of our investment properties in Macau quickly when the Macau property market rebounded. It resulted in satisfactory investment returns to the Group.

Hotel and entertainment business

Benefited from the completion and opening of various large-scale casinos and resorts in Macau, the number of Macau visitors has been surging in recent years. Under such circumstances, coupled with the superior geographical location, the year of 2007 recorded 88% of the average occupancy rate of Hotel Golden Dragon as well as an increase of the average hotel room price by approximately 13% over the previous year. In 2007, net gain before taxation of Hotel Golden Dragon and its casino amounted to approximately HK\$210,000,000 (excluding the gain on revaluation of properties).

Although the competition of the hotel and gaming industry was increasingly intense, a favorable announcement was made by the government of the Macau Special Administrative Region on 22 April of this year that neither any gambling license nor any land for new casino would be granted in the future. Undoubtedly this new policy will create a positive effect on the prospect of the gaming and entertainment industry in the long run. On the other hand, the Macau government maintained its focus on the promotion of the businesses of conference and exhibition and world’s cultural heritage and tourism. The number of Macau visitors increased steadily on a year-on-year basis while a large number of construction projects were underway. As such, the overall economic growth of Macau in the coming years remains promising. The management considers that the business of Hotel Golden Dragon will continue to grow up healthily as benefited from the development of Macau, and to serve as a stable income stream for the Group.

Property investment and development

From the second half of 2007, the development of the Macau property market started to slowdown. However, the economy of Macau continued to grow rapidly with the favorable effective interest rate while increased imported workers inspired the additional demand for residence, thus driving up the property price and rental. During the past year, the residential property price surged by 35%, and even up to 79% in certain districts. The management is of the opinion that it will be a good opportunity to sell our properties profitably when the property market improves.

50 residential units with car parks of Edificio Chu Kuan Mansion

All residential units with car parks in Edificio Chu Kuan Mansion held by the Group were sold by stages in the first quarter of 2008. The gain will be shown in the interim results for 2008.

Tap Siac Concourse as property under development in Macau

As announced by the Group on 22 April of this year that it entered into the sale and purchase agreement to indirectly sell the interest in the company holding the property under development in da Rua do Tap Siac, which may realize a profit of approximately HK\$18,000,000 in book value. This disposal shall be approved by the extraordinary general meeting. The transaction will be completed in late July of this year while the gain will be shown in the final results for 2008.

Construction site at Lote TN6, Cheok Ka Chun, Taipa, Macau

As announced by the Group on 18 April of this year that it would sell the construction site at Lote TN6, Cheok Ka Chun, Taipa, Macau to Mr Lee Gueng Kon, a Korean property developer, at a price of HK\$530,000,000 for a profit of approximately HK\$216,000,000 in book value. The Group holds a 55% interest in the property. This disposal shall be approved by the extraordinary general meeting. The transaction is expected to complete in late June 2008 while the gain will be shown in the interim results for 2008.

Pan-China Commercial Square as property under development in Shenyang, PRC

In late September of last year, the Group successfully acquired a 70% interest in the development project of Pan-China Commercial Square in Shenyang which was its first commercial development project in the PRC. The project is located in the Hunnan New District, Shenyang, PRC to which the Shenyang Olympic Gymnasium Center is opposite. Hunnan New District is one of the major development districts selected by the Shenyang government. Ten billions of Renminbi were used to build a complete set of ancillary facilities within this new district. To welcome the forthcoming Olympic Games, the commercial projects, hotels and urban supporting facilities were developed quickly in Hunnan New District. Thus, the average price of land within the district in 2007 increased by 100% as compared to that of 2006.

The development project has a site area of more than 75,500 sq. m. which is planned to develop into a landmark composite development project. The project will have a total gross floor area of approximately 472,000 sq. m., comprising residential zones, shopping malls, commercial office buildings, high-class service apartments and 5-star hotels.

The construction has been progressing steadily and satisfactorily as scheduled. As at end of March in this year, the residential portion was completed up to the first floor above the ground while the foundation work of phase I for the commercial portion was completed. The shopping malls and residential buildings for Phase I are expected to have a topping-out work in late this year, and to be put in use upon completion and acceptance in the third quarter of next year. The whole development project is scheduled to complete in the second half of 2010. The overall construction work for McDonald's "Drive-Thru", an independent building of the project, was completed, and this cafe was already opened on 27 September 2007. The business solicitation work for the shopping mall has commenced. For those residential units, we will determine the timetable of the sale by stages based on the property market conditions.

Leather trading business

As the market competition remained intense, the Group's leather trading business had a turnover of approximately HK\$68,000,000 in 2007, representing a decrease of approximately 5.6% over the year of 2006, as a continuously loss-making operation. In view of no improvement during the past few years, the management is considering the best way to deal with the business, and there is the possibility of disposal of this segment.

Future plan

The Group has been trying to identify appropriate investments that meet the Group's investment standards, and to pursue and capture suitable investment opportunities as they may arise. Pan-China Construction Group is an enterprise directly under the Ministry of Construction of the PRC. After more than a decade of steady growth, it has become a PRC urban construction and property developer with considerable size and competitive edge. The strategic alliance between the Group and Pan-China Construction Group will prove beneficial to our prospect.

On 31 March of this year, the Company and Pan-China Construction Group entered into another memorandum of understanding to establish the cooperation between them and Urban Development Bank of Nigeria PLC for participating in the infrastructure projects in Nigeria in the future.

Besides, the Company entered into the framework agreement with the Municipal Government of Fushun City, Liaoning Province and Pan-China Construction Group on 2 April 2008, pursuant to which all parties agreed to develop the ShenFu Ecological City Project with a site area of about 30 km² within the Fushun Economic Development Zone of Fushun City. The project is planned to develop into a modern commercial center, catering to the demands of the technology, finance, tourism and logistics industries.

HUMAN RESOURCES

As at 31 December 2007, the Group employed about 65 full-time staff in Hong Kong and People's Republic of China. The Group remunerates employees based on their performance, experience and prevailing industry practices. It also offers benefits such as training programme to staff to enhance their sense of loyalty.

FINANCIAL REVIEW

Results

For the year ended 31 December 2007, the Group reported a turnover of HK\$96 million, compared with HK\$73 million for the year ended 31 December 2006, an increase of approximately 32% from last year. Net profit for the year reached HK\$100.6 million (2006: HK\$57.3 million). Basic earnings per share: HK3.23 cents (2006: HK2.09 cents).

Fund-raising activities

The Company has issued 2.5% convertible bonds, carrying rights to convert into new Shares at an initial conversion price of HK\$0.30 per Share, in the total principal amount of HK\$160 million on 24 August 2007.

On 19 December 2007, the Company and the Placing Manager entered into the Placing Agreement pursuant to which the Placing Manager has conditionally agreed to place, on a best effort basis of up to 430,000,000 Placing Shares at a price of HK\$0.41 per Placing Share. On 9 January 2008, the Group successfully placed 430,000,000 new Shares at HK\$0.41 per Placing Share and the gross proceeds raised approximately HK\$176 million.

Liquidity and financial resources

Equity attributable to equity holders of the Group as at 31 December 2007 was HK\$1,052 million. The Group's net debt-to-capital ratio as at 31 December 2007 was 83.8%.

The net current assets as at 31 December 2007 was HK\$89 million while the cash and bank balances as at 31 December 2007 was HK\$102 million.

Final dividend

The Board has resolved not to propose any final dividend for the year ended 31 December 2007 (2006: nil).

Contingent liabilities

As at 31 December 2007, the Group did not have significant contingent liabilities (2006: nil).

Charge on assets

As at the balance sheet date, investment property, land use right under development, properties under development, properties held for sale, and non-current asset held for sale of the Group amounting to HK\$657 million (2006: HK\$536 million) were pledged to secure general banking facilities.

Foreign currencies

During the year under review, most of the business transactions, assets and liabilities of the Group were denominated in Hong Kong Dollars, Renminbi, Macao pataca (MOP) and United States Dollars. The Group had no material foreign exchange exposure risks during the year under review.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

The Group's prospect

Given the rapid increase of the development cost in the Macau property market, the investment return and profit margin for property developers have become less attractive than the past two or three years. Therefore, the Group will put more efforts on its investments in the PRC property development. The management is looking for property developments in different cities of the PRC, including Chengdu, Beijing, Tianjian, Qingdao, Taiyuan and Hainan Island, with a view to expanding the property development portfolio of the Group.

Meanwhile, the management also begins to focus on the ancillary infrastructure investment in PRC cities. This move goes quite well with the current stage of generally full-speed development in the PRC. With the complementary strengthens between the Group and Pan-China Construction Group, we may bring satisfactory returns to our shareholders and investors, and expect to fulfill our corporate responsibilities in respect of the infrastructural development of our motherland.

CORPORATE GOVERNANCE

Save for the matter noted below, none of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") at any time during the year ended 31 December 2007.

The Company has complied with all the provisions under the CG Code in effect during the year ended 31 December 2007, except for the deviation from the code provisions of the CG code mentioned below.

Code provision A.4.1 of the CG code stipulates that the non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific terms, should be subject to retirement by rotation at least once every three years.

The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Articles of Association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Full details on the subject of corporate governance will be set out in the Company's 2007 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. In response to the Company's enquiry, all Directors confirm that they have complied with the provisions of the Model Code throughout the year ended 31 December 2007.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) presently comprises three independent non-executive Directors. The audit committee has reviewed with the management and the Company’s external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 December 2007.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in the Preliminary Announcement have been agreed by the Group’s auditors, CCIF CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the Preliminary Announcement.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held on 6 June 2008. Notice convening the meeting will be issued in due course.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE’S WEBSITE

The detailed results containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board

Law Kar Po

Chairman and Executive Director

Hong Kong, 28 April 2008

As at the date of this announcement, Mr. LAW Kar Po, Mr. HOI Man Pak, Mr. CHOY Wang Kong, Mr. GAO Feng, Mr. CHIANG Kin Tong, Mr. YONG Wing Tai, William, Ms. LAW Wing Yee, Wendy and Ms. LEE Siu Yuk, Eliza are executive Directors; Mr. Leonel Alberto Alves is the non-executive Director; Mr. LAU Wai Ming, Mr. KWOK Hong Yee, Jesse and Mr. LI Kam Fai, Dominic are the independent non-executive Directors.