Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

Annual Report 2008

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chu King Fai
(Chairman and Chief Executive Officer)
Mr. Au Kwok Chuen, Vincent
Mr. Zhao Yang
Mr. Lim Francis
Mr. Ma Xuemian

NON-EXECUTIVE DIRECTORS

Mr. Zhao Juqun
Mr. Chen Mudong
Mr. Ng Ka Chong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen (resigned on 4 September 2009)
Mr. Yang Biao (resigned on 4 September 2009)
Mr. Mok King Tong (resigned on 4 September 2009)
Mr. David Chi-ping Chow
Mr. Liu Chaodong
Mr. Xu Quing Fah

COMPANY SECRETARY

Mr. Yeung Wing On, Adrian

ASSISTANT SECRETARY

Mr. Ira Stuart Outerbridge III

AUDIT COMMITTEE/REMUNERATION COMMITTEE

Mr. Mok King Tong (resigned on 4 September 2009)
Dr. Wong Yun Kuen (resigned on 4 September 2009)
Mr. Yang Biao (resigned on 4 September 2009)
Mr. David Chi-ping Chow
(appointed on 4 September 2009)
Mr. Liu Chaodong
Mr. Xu Quing Fah

AUTHORIZED REPRESENTATIVES

Mr. Ma Xuemian
Mr. Yeung Wing On, Adrian

REGISTERED OFFICE IN BERMUDA

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 02, 7/F.,
Euro Trade Centre
21-23 Des Voeux Road Central,
Central, Hong Kong

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
12/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PROPERTY VALUERS

BMI Appraisals Limited
Suite 06-12
33/F Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong
Stock Code: 0115

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

http://www.irasia.com/listco/hk/grandfield/

Chairman's Statement

On behalf of the board of directors of the Company and its subsidiaries (the "Group"), I am pleased to present the audited annual report of the Group for the year ended 31 December 2008 to the shareholders.

FINANCIAL RESULTS

For the year ended 31 December 2008, the Group's revenue decreased by 59% to approximately HK$5,133,000. The decrease in revenue for the year ended 31 December 2008 was due to the lack of new properties for sale.

During the year, the Group reported a loss attributable to equity shareholders of the Company of approximately HK$91,655,000, which was higher than last year's net loss of approximately HK$48,243,000.

The loss for the year ended 31 December 2008 was mainly attributable to (i) a significant decrease in sales of property units; (ii) fair value losses on investment properties; (iii) impairment losses on properties under development and other assets; and (iv) recognition of share based payments for the share options granted during the year.

BUSINESS REVIEW

With the continuing implementation of a series of macroeconomic measures by the PRC government aiming to suppress the property market, the tightening of loans by financial institutions and the financial tsunami originated in the US and, as a result, the demand of the properties declined significantly , creating some uncertainties in the property development market.

As a result, the real estate sector was affected by the tightened credit terms from financial institutions. Prices of properties declined significantly in the 2008 leading to fair value loss on investment properties.

The Group's development project in Buji town, Shenzhen has obtained the land title certificate from the relevant authorities at the end of 2007. The project has a site area of 26,000 sq.m; and is planned to develop into a 98,000 sq.m. gross floor area of residential and commercial complex. The Group retained the flexibility to adjust the pace of our developments accordingly.

Given the concurrent macro-environment and the global financial tsunami impact, the Directors took a more prudent view to maintain its leading image in the district and it is more appropriate to put forward a more conservative marketing approach. The Group was upholding its existing resources and will only invest in projects if they believe it is beneficial to the Group.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's cash and bank deposits were approximately HK$9,392,000 (2007: HK$71,564,000) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB") was 18.7% and 81.3% respectively (2007: 95% and 5%).

The Group had total current assets of approximately HK$68,952,000 (2007: HK$100,340,000), and total current liabilities of approximately HK$66,837,000 (2007: HK$39,275,000). The Group recorded total assets of approximately HK$408,887,000 (2007: HK$439,098,000) and total bank loans and borrowings of approximately HK$46,295,455 (2007: HK$12,204,000). As at 31 December 2008, the Group's total interest-bearing borrowings amounted to approximately HK$48,613,000 (2007: HK$12,204,000), of which HK$48,613,000 was repayable within 1 year (2007: HK$12,204,000), HK$0 was repayable from 1-2 years (2007: HK$0) and nil was repayable from 2-5 years (2007: HK$0).

As at 31 December 2008, the percentage of the Group's interest-bearing borrowings denominated in HKD and RMB was 0% and 100% (2007: 0% and 100%) respectively and such borrowings carried interest rates ranged from 5.93% to 12.6% (2007: 7.25% to 12.6%).

The gearing ratio for 31 December 2008, which was defined to be total interest-bearing borrowings over shareholders' equity, was 18% (2007: -10%).

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. There was an exchange rate appreciation of RMB against HKD for about 5.7% in 2008, and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

CHARGE OF ASSETS

Pledged bank deposits as at 31 December 2008 of the Group amounted to approximately HK$27,996,000 (2007: HK$nil), which had been acting as a security for the bank loans made available to the Group.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year.

EMPLOYEES

As of end of 2008, the Group employed 50 employees (2007: 50) and the staff costs for the year amounted to approximately HK$20,833,695 (2007: HK$6,757,000) The said staff costs for 2008 included two lots of share options for the fair value of HK$13,193,000 granted during the year (2007: nil). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance.

APPRECIATION

On behalf of the Board, I would like to extend our wholehearted gratitude to the Group's employees for their dedication and efforts in servicing the Group, as well as to our shareholders and all business partners of the Group for their continued valuable supports.

Chu King Fai
Chairman

Hong Kong, 28 September 2009

Profile of Directors and Senior Management

(I) DIRECTORS

Executive Directors

Mr. CHU King Fai, aged 47, was appointed as Chairman and Executive Director on 31 January 2008. He was also appointed as Chief Executive Officer on 16 October 2008. Mr. Chu graduated from the Shenzhen University – Real Estate Management and Administration. Mr. Chu is a member of the 10th and 11th CPPCC National Committee. He is also the vice-president of both the Shenzhen Overseas Chinese International Association and the Promotion of Guangcai. Prior to the joining of the Company, he was the president of The Min Tai Group Co., Ltd..

Mr. AU Kwok Chuen, Vincent, aged 55, was appointed as an Executive Director on 16 March 2007. Mr. Au holds MBA qualification, is the Chartered Member of The Chartered Institute of Logistics and Transport, Certified Professional Marketer of Asia, and a member of the Hong Kong Institute of Human Resource Management. Mr. Au has extensive China experience, and is Visiting Professor for universities and colleges in China. He has served a NYSE company as CEO China and Hong Kong and was responsible for Asia Pacific business development. Mr. Au has been senior management at local listed companies for different industries: airlines and railway, car parking, sports and recreation, education, and information technology.

Mr. LIM Francis, aged 50, was elected as an Executive Director on 2 December 2008. Mr. Lim is currently a principal of Barrack Consultants; a Hong Kong consultancy firm that advises Asian companies on corporate finance and market entry strategies. Mr. Lim was formerly a Director of Business Development for Hutchison Telecom, AT & T (Asia Pacific) and most recently Asia Global Crossing. He was instrumental in opening both India and China whilst at AT & T by securing two cellular licenses in India and by forming the first State Council approved telecom service joint venture in China. Mr. Lim has over 15 years of experience in corporate advisory, business planning, alliance and joint venture formation and cross border mergers and acquisition. He also has extensive experience in doing business in Greater China, Korea, ASEAN and India. Mr. Lim was awarded a Bachelor of Science in Chemical Engineering by the University of Winconsin in 1980 and a Master of Science in Finance by the Hong Kong University of Science and Technology in 2007.

From 2003 to 2006, Mr. Lim was a non-executive member of the board of Elephant Talk Communications Inc., (Ticker "ETLK") a company listed on the OTC.BB in the US. Save as disclosed, Mr. Lim has not held any directorship in other listed public companies in the last three years. Further, Mr. Lim was a director of Champford Corporation Limited when it was dissolved by deregistration on 23 November 2007 after Champford Corporation Limited remained dormant for several years. Champford Corporation Limited was incorporated in Hong Kong and was principally engaged in trading business before turning dormant.

Mr. Lim was also appointed as Alternate Director to each of Mr. Ma Xuemian, Mr. Chen Mudong and Mr. David Chi-ping Chow on 9 December 2008.

Mr. MA Xuemian, aged 44, was elected as an Executive Director on 2 December 2008. Mr. Ma joined the Company since 1999 and has been responsible for the Company's property sales and management in China since then. Mr. Ma has more than 10 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of construction team in The Guangzhou Construction Company Limited, a subsidiary of The 3rd Guangdong Water and Electricity Bureau Guangdong. He joined Ka Fong Industrial Company Limited in 1992, which later became a subsidiary of the Company. Since then, he has been management role in various capacities including applying for government approval for development plan, construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the logistic of title deed application and property management in various projects in China. Since 2001, he is the General Manager of the Company's operation in Dongguan. Mr. Ma is also a director of Grand Field Group Limited, Grand Field New Energy Company Limited, Ka Fong Industrial Company Limited, Kwan Cheung Holdings Limited and Shing Fat Hong Limited, all being subsidiaries of the Company.

Mr. ZHAO Yang, aged 43, was elected as an Executive Director on 2 December 2008. Mr. Y. Zhao is a 國家一級註冊建造師 (Registered National First Class Architect*), a 中國房地產經濟師 (Economist of China Real Estate*) and a 中國建築經濟師 (Economist of China Architect*). He graduated from Civil Engineering from 天津大學 (Tianjin University*) in 1982. In 1988, he graduated from Corporate Management from the University of Jiangsu. Mr. Y. Zhao graduated from System Engineering from The Tianjin University in 1997. Mr. Y. Zhao was a project manager and sales manager of 連雲港房屋建設開發總公司 (Lianyungang Housing Construction Company*) from 1982 to 1994. Between 1997 to 1998, he was the manager of the Marketing Department of 深圳龍崗房地產交易中心 (Shenzhen Longgang Real Estate Exchange Centre*). He was a project manager of Grand Field Property Development (Shenzhen) Company Limited（鈞濠房地產開發（深圳）有限公司）, an indirect wholly owned subsidiary of the Company, from 1999 to 2000. He was the general manager of 深圳萬基置地集團公司 (Shenzhen Manki Real Estate Group Company*) from 2001 to 2004. Mr. Y. Zhao was the general manager of 英達集團（瀋陽公司）from 2005 to September 2007 and rejoined Grand Field Property Development (Shenzhen) Company Limited（鈞濠房地產開發（深圳）有限公司）in October 2007 as vice general manager, when Mr. Tsang and Madam Kwok were then Shareholders of the Company and were deemed to be substantial shareholders of the Company as at the Latest Practicable Date.

Profile of Directors and Senior Management

Non-executive Directors

Mr. ZHAO Juqun, aged 40, was elected as a Non-executive Director on 25 June 2008. Mr. J. Zhao is a Certified Public Accountant of China. He holds a Bachelor of Business Administration from Nanjing University of Finance and Economics and a Master of Accounting from Zhongnan University of Economics and Law. Mr. J. Zhao has worked with the Accounting Department of the Food Bureau of Hohot City. He was a manager of the Accounting Department of Shenzhen Zhongtian Hua Zhen Accounting Firm between 1994 to 1996. Mr. J. Zhao was the Financial Controller of the Shenzhen Stock Exchange listed 張家界旅游開發股份有限公司 from 1996 to 1999. He was the Chairman of the Superviser Committee of 英大証券有限責任公司 from 1999 to 2003. Mr. J. Zhao was the Financial Controller of 深圳市中達(集團)股份有限公司 from 2003 and 2006. Mr. J. Zhao formed 深圳市天英會計師事務所 in 2006 and became the Senior Partner. In 2007, Mr. J. Zhao formed 深圳市天潤資產管理有限公司 and held the position of Chief Executive.

Mr. J. Zhao has been an independent non-executive director of 深圳市康達爾(集團)股份有限公司, a company listed on the Shenzhen Stock Exchange, since 2003.

Mr. CHEN Mudong, aged 46, was elected as a Non-executive Director on 2 December 2008. Mr. Chen is the Controller of the development centre of Shenzhen Zhu Jiang Real Estates Development Company Limited, and is also the Deputy General Manager in Shenhui Zhu Jiang Real Estate Development Company Limited in Hui Zhou city of Guangdong Province. He has been in the management position in various companies and organizations including The Fourth Research Institute of Navigational Affairs under the Ministry of Transportation, China Delta Construction Engineering Company Limited, Huizhou Runyu Real Estate Company Limited, Guangzhou Southern Airline Bi Garden Real Estate Development Company Limited, and Guangzhou Zhu Jiang Investment Group Company Limited. He had attained plenty experience real estate development and engineering management in the few large development projects he managed. Since 1992, Mr. Chen has devoted his career in Real Estate Development, and has build solid management experience in team management and leadership, development management for large real restate projects. From 2000 to 2003, Mr. Chen was a chief executive officer of Grand Field Property Development (Shenzhen) Company Limited (鈞濠房地產開發(深圳)有限公司), an indirect wholly owned subsidiary of the Company, when Mr. Tsang and Madam Kwok were then Shareholders and Directors of the Company and were deemed to be substantial shareholders of the Company as at the Latest Practicable Date. He had completed his post graduate study and is also a qualified engineer.

Mr. NG Ka Chong, aged 46, was elected as a Non-executive Director on 2 December 2008. Mr. Ng became a Practicing Barrister in Hong Kong since 2005. Before starting his legal career, he worked as an engineer and surveyor in a number of organizations. He worked as a Quantity Surveyor in MDA (Hong Kong) Limited, a Contracts Engineer in MTRC from 1992 to 1998, a Contracts Administrator in KCRC from 1998 to 2004. After decided to pursue his career in legal field, in 1997, he obtained his LLB degree from University of Wolverhampton, and later became a Practicing Barrister in 2005. Mr. Ng obtained his MA degree in Accounting & Information System from City University of Hong Kong in 2003 as well as his Bachelor of Science Degree in Quantity Surveying from Thames Polytechnic University in 1990. He is called to the Bar in Hong Kong and England since 1999.

Independent Non-executive Directors

Mr. David Chi-ping CHOW, aged 52, was elected as an Independent Non-executive Director on 2 December 2008. Mr. Chow is currently a Managing Director with Tekhill Holding Ltd., an e-commerce and supply chain management group of companies. Mr. Chow is a United States Certified Public Accountant and an American Certified Tax Practitioner. He has 27 years of experience in financial planning, corporate internal control and audit, strategic planning and implementation. Mr. Chow previously has worked as the Chief Financial Officer for China at General Mills and Haagen-Dazs, Xian Janssen Pharmaceutical (a subsidiary of Johnson & Johnson group), respectively. He was the Chief Financial Officer for Greater China of Pillsbury and Haagen-Dazs, the Chief Financial Officer for China and Vice-President of Supply Chain for Nabisco. He was a partner of Speakman & Price a public accounting firm and a financial analyst of Motorola. Mr. Chow graduated with a Bachelor in Accounting from Santa Clara University, California. He also received management training from Columbia University and Northwestern University.

Mr. LIU Chaodong, aged 40, has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from 安徽江淮職業大學, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, majoring in legal studies. Mr. Liu served as the chief accountant in 藍星新星材料股份有限公司 during 1991 to 1994 and a department manager in 中磊會計師事務所有限公司 during 1994 to 1997. Mr. Liu is currently a deputy general manager of Guangdong Gongxin Certified Public Accountants Co., Ltd., which is undertaking a merger with 中磊會計師事務所有限公司 and will be renamed 中磊會計師事務所有限公司廣東佛山分所.

Mr. Xu Quing Fah, aged 46, graduated from the Tianjin Finance & Economics University. Since 1985, Mr. Xu had held positions in different banks, namely, People's Bank of China, China Merchants Bank, Everbright Bank and had gained experience in the areas of internal audit, credit control, international affairs, general bankings and management. At the moment, he is the Executive Director, Senior Assistant General Manager of Synergy Capital International Limited. Mr. Xu wrote many financial and banking articles which were published in different journals in China. He also served as members of many financial interest groups in China. Mr. Xu had not held any other positions with any member of the Group. Mr. Xu was an independent non-executive director of Sanyuan Group Limited（三元集團）, a company listed on the Main Board of the Stock Exchange (stock code: 140). Apart from this, Mr. Xu had not held any other directorships in any listed public companies in the last three years. Mr. Xu has no relationship with any directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. As at the date of this announcement, Mr. Xu did not have any interests in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). In accordance with the bye-laws of the Company, Mr. Xu will retire at the next annual general meeting of the Company and will be eligible for re-election. If Mr. Xu offers himself for re-election, and he is re-appointed as an independent non-executive Director, the Company intends to pass a resolution at the annual general meeting to authorise the Board to fix his remuneration.

(III) COMPANY SECRETARY

Mr. Yeung Wing On, was admitted as a solicitor in England and Wales and Hong Kong in December 1993 and February 1994 respectively. He has been a partner of Messrs. Adrian Yeung & Cheng since 1997. He has more than 10 years experiences in various areas especially litigation, commercial and conveyancing practice.

Corporate Governance Report

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 14 Code on Corporate Governance ("**Code**") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") throughout the year ended 31 December 2008.

This report describes its corporate governance practices and explains the applications of the principles on the Code of the Listing Rules except for the deviations from provisions A.2.1 and A.4.1 of the Code which are explained in the relevant paragraphs as below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules ("**Model Code**"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board comprises a total of eleven Directors, of whom five are executive Directors, three are non-executive Directors and three are independent non-executive Directors. One third of the Board is independent non-executive Directors and two of them have appropriate professional qualifications. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

Corporate Governance Report

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders.

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

During the year ended 31 December 2008, twenty Board meetings (Note) were held. The attendance records of each director at such meetings is set out below:

Note: There were two Board meetings held on 15 December 2008 at the same time but at different venues. For the avoidance of doubt, such meetings were counted as one and the same meeting.

Directors	**Attendance**
Executive Directors:	
Chu King Fai (Chairman and Chief Executive Officer) (Note 1)	19/19
Au Kwok Chuen, Vincent	20/20
Zhao Yang (Note 2)	1/2
Lim Francis (Note 3)	2/2
Ma Xuemian (Note 4)	2/2
Hwang Ho-Tyan (Note 5)	2/2
Chan Sung Wai (Note 6)	4/11
Huang Bing Huang (Note 7)	14/14
Non-executive Directors:	
Zhao Juqun (Note 8)	9/9
Chen Mudong (Note 9)	2/2
Ng Ka Chong (Note 10)	2/2

Directors	Attendance
Independent non-executive Directors:	
Wong Yun Kuen (Note 11)	20/20
Yang Biao (Note 12)	8/9
Mok King Tong (Note 13)	8/9
David Chi-ping Chow (Note 14)	1/2
Lum Pak Sum (Note 15)	8/8
Hui Pui Wai, Kimber (Note 16)	5/8
Wong Ching Wan (Note 17)	2/2

Notes :

1. Mr. Chu King Fai was appointed as executive Director on 31 January 2008. During the period from 31 January 2008 to 31 December 2008, the Board held 19 meetings.

2. Mr. Zhao Yang was elected as executive Director on 2 December 2008. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

3. Mr. Lim Francis was elected as executive Director on 2 December 2008. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

4. Mr. Ma Xuemian was elected as executive Director on 2 December 2008. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

5. Mr. Hwang Ho-Tyan resigned on 31 January 2008. During the period from 1 January 2008 to 31 January 2008, the Board held 2 meetings.

6. Mr. Chan Sung Wai retired on 18 June 2008. During the period from 1 January 2008 to 18 June 2008, the Board held 11 meetings.

7. Mr. Huang Bing Huang resigned on 6 October 2008. During the period from 1 January 2008 to 6 October 2008, the Board held 14 meetings.

8. Mr. Zhao Juqun was elected as non-executive Director on 25 June 2008. During the period from 25 June 2008 to 31 December 2008, the Board held 9 meetings.

9. Mr. Chen Mudong was elected as non-executive Director on 2 December 2008. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

10. Mr. Ng Ka Chong was elected as non-executive Director on 2 December 2008. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

11. During this year, Dr. Wong Yun Kuen attended 20 meetings and he resigned on 4 September 2009.

12. Mr. Yang Biao was elected as independent non-executive Director on 25 June 2008. During the period from 25 June 2008 to 31 December 2008, the Board held 9 meetings. Mr. Yang resigned on 4 September 2009.

13. Mr. Mok King Tong was elected as independent non-executive Director on 25 June 2008. During the period from 25 June 2008 to 31 December 2008, the Board held 9 meetings. Mr. Mok resigned on 4 September 2009.

14. Mr. David Chi-ping Chow was elected as independent non-executive Director on 2 December 2008. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

15. Mr. Lum Pak Sum resigned on 14 May 2008. During the period from 1 January 2008 to 14 May 2008, the Board held 8 meetings.

16. Mr. Hui Pui Wai, Kimber resigned on 21 May 2008. During the period from 1 January 2008 to 21 May 2008, the Board held 8 meetings.

17. Mr. Wong Ching Wan was elected as independent non-executive Director on 2 December 2008 and resigned on 8 January 2009. During the period from 2 December 2008 to 31 December 2008, the Board held 2 meetings.

Minutes of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the Chairman of the Meetings. Minutes of the Board meetings are kept by the Company Secretary and shall open for inspection by Directors. Minutes of the audit committee and the remuneration committee are kept by the secretary of these two committees. Where Directors have a material or conflict of interests in any transaction discussed in the Board meeting would not be dealt with by way of written resolutions. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER ("CEO")

Under the provision A2.1 of the Code stipulates that the role of both the Chairman and CEO should be separate and should not be performed by the same individual. During the period from 1 January 2008 to 6 October 2008, there is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the CEO is authorized and responsible for the management of the day-to-day business of the Group as well as the implementation of the strategies approved by the Board. As a result of Mr. Huang Bing Huang's resignation, Mr. Chu King Fai, the Chairman was also appointed as CEO with effect from 16 October 2008.

NON-EXECUTIVE DIRECTORS

Under the provision A4.1 of the Code, the appointment of independent non-executive Directors should have been appointed for a specific term.

During the year ended 31 December 2008, the independent non-executive Directors were not appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprised of two independent non-executive Directors, namely David Chi-ping Chow, Mr. Liu Chaodong and Mr. Quing Fah (while Dr. Wong Yun Kuen, Mr. Mok King Tong, Mr. Yang Biao resigned on 4 September 2009, Mr. Lum Pak Sum and Mr. Hui Pui Wai, Kimber resigned on 14 May 2008 and 21 May 2008, respectively) was established in 2005 with written terms of reference in compliance with the requirement stipulated in the Code of the Listing Rules. The full terms of reference of the remuneration committee are available on the Company's website.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of all Directors and senior management on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval.

Four remuneration committee meetings were held in 2008 to review the remuneration of Executive Directors and senior management for the financial year ended 31 December 2008 and all the committee members attended the meetings.

AUDIT COMMITTEE

The audit committee was established with written terms of reference with the requirement stipulated in the Code of the Listing Rules. The full terms of reference of the audit committee are available on the Company's website.

The audit committee has three members comprising three independent non-executive Directors, Mr. David Chi-ping Chow, Mr. Liu Chaodong and Mr. Xu Quing Fah (while Dr. Wong Yun Kuen, Mr. Mok King Tong, Mr. Yang Biao resigned on 4 September, Mr. Lum Pak Sum and Mr. Hui Pui Wai, Kimber resigned on 14 May 2008 and 21 May 2008, respectively), and its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the committee reveal cause for concern or scope for improvement.

The audit committee held three meetings during the year ended 31 December 2008. The attendance records of the three meetings are as follows:

Members	**Attendance**
Wong Yun Kuen (Note 1)	3/3
Mok King Tong (Note 2)	1/1
Yang Biao (Note 3)	1/1
Lum Pak Sum (Note 4)	2/2
Hui Pui Wai, Kimber (Note 5)	2/2
Liu Chaodong (Note 6)	0/2
Xu Quing Fah (Note 6)	0/2
David Chi-ping Chow (Note 7)	0/2

Notes :

1. Dr. Wong Yun Kuen attended 3 audit committee meeting this year and he resigned on 4 September 2009.

2. Mr. Mok King Tong was appointed on 25 June 2008. During the period from 25 June 2008 to 31 December 2008, the audit committee held 1 meeting. Mr. Mok resigned on 4 September 2009.

3. Mr. Yang Biao was appointed on 25 June 2008. During the period from 25 June 2008 to 31 December 2008, the audit committee held 1 meeting. Mr. Yang resigned on 4 September 2009.

4. Mr. Lum Pak Sum resigned on 14 May 2008. During the period from 1 January 2008 to 14 May 2008, the audit committee held 2 meetings.

5. Mr. Hui Pui Wai, Kimber resigned on 21 May 2008. During the period from 1 January 2008 to 21 May 2008, the audit committee held 2 meetings.

6. Mr. Liu Chaodong and Mr. Xu Quing Fah were appointed on 25 August 2009.

7. Mr. David Chi-ping Chow has appointed as chairman of audit committee on 4 September 2009.

NOMINATION OF DIRECTORS

In accordance with the Company's Bye-Laws, the Board shall have power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an additional director. Apart from that, nomination of directors is determined by the Board with approvals by the shareholders in the general meeting. In addition, a resolution was passed by the then sole shareholder of the Company on 20 May 1999, which resolved to set the maximum number of Directors at 15 (Notes 1, 2 and 3).

Notes:

1. On 10 January 2009, a legal opinion was issued by a Bermuda counsel which opined that "there must be an overriding implication, in any situation where there is an appointment of directors by shareholders, that such an appointment could increase the maximum number and such appointment of further directors is a de facto increase in maximum number even when the resolution did not refer to the maximum number".

2. On 20 January 2009, a legal opinion was issued by another Bermuda counsel which opined that "the appointment of eight Directors elected on 2 December 2009 was invalid given that the maximum number of Directors had been set at 15 and no subsequent resolutions have been passed to increase or reduce such maximum number".

3. Despite the above conflicting opinions, no ruling has been made by any competent court on the maximum number of Directors which the Company may have.

INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Board is aware that no system of internal controls could provide absolute assurance against the occurrence of material errors, human errors, improper judgement in decision-making, fraud or irregularities.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has reviewed the internal control system review report conducted by the Company on the effectiveness of the Company's internal controls during the financial year. The Board considers that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are adequate.

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2008, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The Board is accountable to the shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rules 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2008.

The external auditors of the Company for the two years ended 2008 and 2007 was Baker Tilly Hong Kong Limited and the auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. They do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditors.

The auditor's remuneration for the provision of annual audit services of approximately HK$1,160,000 was charged to the Group's income statement for the year ended 31 December 2008 (2007: HK$550,000). Apart from the provision of annual audit services, the Group's external auditor also performed tax consultancy works and high-level accounting review works to the Group and approximately HK$36,800 was charged to the Group's income statement for the year ended 31 December 2008 (2007: HK$40,000).

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company values communication with shareholders and investors. Enquires and suggestions from shareholders or investors are welcomed through the following channels to the Company Secretary:

Telephone number:	(852) 2399 0223
Fax number:	(852) 2380 1996
Postal address:	Unit 02, 7/F., Euro Trade Centre 21-23 Des Voeux Road Central Central, Hong Kong
E-mail:	gfgcosec@biznetvigator.com
Website:	http//www.irasia.com/listco/hk/grandfield/

On behalf of the Board

Chu King Fai
Chairman

Hong Kong, 28 September 2009

Directors' Report

The directors submit herewith their annual report together with the audited financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 16 to the financial statements. Except as disclosed in note 1 to the financial statements, there have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 4 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue made from the five largest customers of the Group accounted for approximately 46.66% (2007: 26%) of the Group's turnover, before deducting sales return of properties, for the year. Turnover from the Group's largest customer accounted for approximately 24.08% (2007: 9%) of the Group's turnover for the year.

During the year, no construction was performed and thus no major suppliers were identified.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 34 to 124.

TRANSFER TO RESERVES

The loss attributable to shareholders of HK$91,655,000 (2007: HK$48,243,000) has been transferred to reserves. Other movements in reserve are set out in note 28 to the financial statements.

DIVIDENDS

The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2008 (2007: HK$nil). No interim dividend was declared for the six months ended 30 June 2008 (2007: HK$nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a deficit of HK$22,241,000 (2007: a surplus of HK$7,107,000), which has been (debited)/credited directly to the consolidated income statement respectively. The deferred tax arising from the revaluation amounted to HK$3,551,000 in 2008 (2007: HK$6,272,000). Details of the revaluation are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 12 and 13 to the financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28(c) to the financial statements.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Chairman and Chief Executive Officer

Mr. Chu King Fai (Appointed on 31 January 2008 and 16 October 2008 respectively)

Executive Directors

Mr. Au Kwok Chuen, Vincent
Mr. Chan Sung Wai (Retired on 18 June 2008)
Mr. Huang Bing Huang (Resigned on 6 October 2008)
Mr. Hwang Ho-Tyan (Resigned on 31 January 2008)
Mr. Lim Francis (Appointed on 2 December 2008)
Mr. Ma Xuemian (Appointed on 2 December 2008)
Mr. Zhao Yang (Appointed on 2 December 2008)

Independent Non-executive Directors

Dr Wong Yun Kuen (Resigned on 4 September 2009)
Mr. Chow Chi-ping, David (Appointed on 2 December 2008)
Ms. Chan Kit Yee, Katherine (Appointed on 2 December 2008 and resigned on 29 May 2009)
Mr. Hui Pui Wai, Kimber (Resigned on 21 May 2008)
Mr. Lum Pak Sum (Resigned on 14 May 2008)
Mr. Mok King Tong (Appointed on 25 June 2008 and resigned on 4 September 2009)
Mr. Wong Ching Wan (Appointed on 2 December 2008 and resigned on 8 January 2009)
Mr. Yang Biao (Appointed on 25 June 2008 and resigned on 4 September 2009)

Non-executive Directors

Mr. Chen Mu-dong (Appointed on 2 December 2008)
Mr. Ng Ka Chong (Appointed on 2 December 2008)
Mr. Zhao Juqun (Appointed on 25 June 2008)

Pursuant to Bye-laws 114 and 115 of the Bye-laws, Mr. Zhao Yang, Mr. Lim Francis, Mr. Ma Xuemian, Mr. Chen Mudang, Mr. Ng Ka Chong, Mr. David Chi-ping Chow and Mr. Zhao Juqun will retire at the Annual General Meeting. The said Directors, being eligible for re-election, will offer themselves for re-election at the Annual General Meeting. Biographical and other details of the said Directors as required to be disclosed under the Listing Rules are set out in Appendix I to this circular.

Pursuant to Bye-laws 111 and 115 of the Bye-laws, Mr. Au Kwok Chuen, Vincent, Mr. Liu Chaodong and Mr. Xu Quing Fah will retire at the Annual General Meeting and will offer themselves for Re-election at the Annual General Meeting. Messrs. Au Kwok Chuen, Vincent, Xu Quing Fah and Liu Chaodong biographical and other details as required to be disclosed under the Listing Rules are set out in Appendix I to this circular.

The Company has received annual confirmations of independence from each of the 7 independent directors of the Company, and as at the date of this report still considers them to be independent.

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

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 10 of the Company's annual report.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

(i) Long positions in shares of the Company

As at 31 December 2008, the interests and long positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

	Number of ordinary shares held					
Name of director	Personal interests	Family interests	Corporate interests	Number of share options held	Total interests	Total interests as percentage of the issued share capital
Chu King Fai	–	–	–	25,000,000	25,000,000	0.99%
Au Kwok Chuen, Vincent	–	–	–	25,000,000	25,000,000	0.99%
Zhao Juqun	–	–	–	25,000,000	25,000,000	0.99%
Wong Yun Kuen	–	–	–	2,500,000	2,500,000	0.10%
Yang Biao	250,000	–	–	2,500,000	2,750,000	0.11%
Mok King Tong	–	–	–	2,500,000	2,500,000	0.10%

(ii) Share options in the Company

Share option scheme

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme from 23 June 2006.

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Date of grant	Exercisable period	Exercisable price per share HK$	Number of share options: Outstanding at 1 January 2008	Granted during the year	Cancelled during the year	Outstanding at 31 December 2008
Category 1: Directors							
Chu King Fai	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	25,000,000	–	25,000,000
Au Kwok Chuen, Vincent	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	25,000,000	–	25,000,000
Zhao Juqun	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	25,000,000	–	25,000,000
Wong Yun Kuen	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	2,500,000	–	2,500,000
Yang Biao	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	2,500,000	–	2,500,000
Mok King Tong	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	2,500,000	–	2,500,000
Total for directors				**–**	**82,500,000**	**–**	**82,500,000**
Category 2: Substantial shareholder	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	2,500,000	–	2,500,000
Total for Substantial shareholder				**–**	**2,500,000**	**–**	**2,500,000**

	Date of grant	Exercisable period	Exercisable price per share HK$	Number of share options: Outstanding at 1 January 2008	Granted during the year	Cancelled during the year	Outstanding at 31 December 2008
Category 3: Employees	21 August 2008	21 August 2008 – 18 August 2011	0.1724	–	37,900,000	–	37,900,000
	21 October 2008	21 October 2008 – 15 October 2011	0.128	–	56,000,000	–	56,000,000
Total for employees				**–**	**93,900,000**	**–**	**93,900,000**
Category 4: Other participants	21 October 2008	21 October 2008 – 15 October 2011	0.128	–	25,000,000	–	25,000,000
Total for other participants				**–**	**25,000,000**	**–**	**25,000,000**
Total for all categories				**–**	**203,900,000**	**–**	**203,900,000**

The closing prices of the Company's shares on the trading days immediately before 21 August 2008 and 21 October 2008, being the dates of grants of the options, were HK$0.154 and HK$0.115 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the headings "Directors' interests in shares and options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the financial statements, no director of the Company had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2008, other than the interests disclosed above in respect of certain directors, so far as is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of shareholders	Number of ordinary shares	Percentage of interest
Rhenfield Development Corp. (note 1)	479,050,000	19.03%
Hongkong Zhongxing Group Co., Limited (note 2)	561,750,000	22.32%

Note 1: Rhenfield Development Corp. is owned by Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy in equal shares.

Note 2: Hongkong Zhongxing Group Co., Limited is owned by Mr. Huang Bing Huang.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2008.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 119. This summary does not form part of the audited financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2008 are set out on pages 120 to 124.

BANK LOANS AND OTHER BORROWINGS

Details of bank and other borrowings are set out in note 25 to the financial statements.

PURCHASE, SALE REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiary companies purchased, sold, redeemed or cancelled any of the Company's listed securities.

COMPLIANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance in Appendix 14 of the Listing Rules throughout the year except deviations stated in the Corporate Governance Report on pages 11 to 19.

AUDIT COMMITTEE

The audit committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the audited financial statements for the year ended 31 December 2008, with external auditors. There were no disagreements from the auditors or the audit committee with the accounting policies adopted by the Company.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2008 were audited by Baker Tilly Hong Kong Limited who will retire at the conclusion of the forthcoming annual general meeting ("AGM") of the Company and has informed the Company that they do not intend to offer themselves for re-election at the AGM. The Board is in the course of identifying a suitable candidate to fill such vacancy in accordance with its Bye-laws. Further announcement and/or notice will be made by the Company in accordance with the Listing Rules & Bye-laws in due course.

On behalf of the board

Ma Xuemian
Executive Director

Hong Kong, 28 September 2009

Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
香港天華會計師事務所有限公司
12/F., China Merchants Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號
信德中心招商局大廈12樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
Grand Field Group Holdings Limited
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 118 which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

BASIS FOR DISCLAIMER OF OPINION

The consolidated financial statements have been prepared based on the draft audited accounts of the subsidiaries, as disclosed in note 16, for the year ended 31 December 2008, which have not yet been approved by the directors of the respective subsidiaries.

We have considered the adequacy of the disclosures made in note 31(a)(i) to the consolidated financial statements concerning the possible outcome of various legal proceedings initiated by a former director and shareholder of the Company, Mr. Tsang Wai Lun Wayland against the Company and eight executive directors, alleging that the directors had breached their fiduciary duties in relation to various transactions entered into by the Group during the year. The directors of the Company strongly refute and vigorously contest Mr. Tsang's allegations, and are of the opinion that the action can be successfully defended and therefore these cases would not result in losses to the Group. However, there is uncertainty as to whether the above action can be defended and the potential significant impact on the financial performance and position of the Group.

In addition, as disclosed in note 19 to the financial statements, the Group has entered into an agreement for provision of property management services during the year. As at 31 December 2008, the Group has made a refundable security deposit of HK$9,091,000 for provision of property management services. We were unable to obtain sufficient reliable evidence to satisfy ourselves as to the valuation of such deposit. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves whether the deposit was free from material misstatement in the consolidated balance sheet as at 31 December 2008 and whether any impairment loss should be recognised in the consolidated income statement for the year then ended.

In view of the extent and potential impact of the significant uncertainties described above, we disclaim our opinion in these respects.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for qualified opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 September 2009
Lo Wing See
Practising Certificate number P04607

Consolidated Income Statement

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	**2008 HK$'000**	2007 HK$'000
CONTINUING OPERATIONS:			
Revenues	4	**5,133**	12,522
Cost of revenue		**(2,260)**	(9,508)
		2,873	3,014
Less: Sales return of properties sold	4	**–**	(18,909)
Cost of properties returned		**–**	6,063
		–	(12,846)
Gross profit/(loss)		**2,873**	(9,832)
Other revenue and income	4	**1,035**	5,247
Distribution costs		**(285)**	(852)
Administrative expenses		**(49,184)**	(23,482)
Fair value (loss)/gain on investment properties	13	**(22,241)**	7,107
Impairment loss on amount due from a director		**(227)**	–
Impairment loss on completed properties held for sale	20	**(244)**	–
Impairment loss on mortgage loan receivables	17(b)	**(544)**	(2,523)
Impairment loss on other receivables, deposits and prepayments		**(4,927)**	(1,653)
Impairment loss on prepaid premium for land leases	14	**–**	(3,300)
Impairment loss on properties under development	15	**(26,733)**	–
Loss from operations		**(100,477)**	(29,288)
Finance costs	5(c)	**(1,062)**	(2,546)
Loss before taxation	5	**(101,539)**	(31,834)
Income tax credit/(expense)	6	**3,447**	(6,255)
Loss for the year from continuing operations		**(98,092)**	(38,089)
DISCONTINUED OPERATION:			
Gain/(loss) for the year from discontinued operation	8	**6,437**	(10,154)
Loss for the year		**(91,655)**	(48,243)

	Note	2008 HK$'000	2007 HK$'000
Attributable to:			
Equity shareholders of the Company	9	**(91,655)**	(48,243)
Minority interests		**–**	–
		(91,655)	(48,243)
Dividends	10	**–**	–
Loss per share (basic and diluted)			
– from continuing operations		**(3.90 cents)**	(1.67 cents)
– from discontinued operation	8(d)	**0.26 cents**	(0.44 cents)
	11	**(3.64 cents)**	(2.11 cents)

The notes on pages 42 to 118 form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	12	**20,613**	22,081
Investment properties	13	**73,858**	90,391
Prepaid premium for land leases	14	**186,082**	183,486
Properties under development	15	**12,469**	36,802
Mortgage loan receivables due after one year	17	**2,756**	3,908
Pledged bank deposits	18	**27,996**	–
Restricted cash	22	**1,388**	2,090
Other non-current assets	19	**14,773**	–
		339,935	338,758
Current assets			
Completed properties held for sale	20	**16,425**	18,180
Mortgage loan receivables	17	**1,770**	3,554
Trade and other receivables	21	**41,365**	7,042
Cash and cash equivalents	22	**9,392**	71,564
		68,952	100,340
Current liabilities			
Trade and other payables	23	**14,461**	12,989
Amounts due to related parties	24	**–**	3,790
Interest-bearing borrowings	25	**48,613**	12,204
Tax payable	27(a)	**3,721**	3,793
Dividend payable		**42**	42
		66,837	32,818
Liabilities directly associated with discontinued operation	8(b)	**–**	6,457
		66,837	39,275
Net current assets		**2,115**	61,065

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Deferred tax liabilities	27(b)	**3,110**	6,272
NET ASSETS		**338,940**	393,551
CAPITAL AND RESERVES	28(a)		
Share capital		**50,336**	50,336
Reserves		**288,604**	343,215
TOTAL EQUITY		**338,940**	393,551

Ma Xuemian
Director

Ng Ka Chong
Director

The notes on pages 42 to 118 form part of these financial statements.

Balance Sheet

as at 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	16	**159,056**	159,056
Current assets			
Other receivables, deposits and prepayments	21	**1,571**	290
Amounts due from subsidiaries	16	**190,084**	206,270
Cash and cash equivalents	22	**43**	53,721
		191,698	260,281
Current liabilities			
Other payables	23	**1,206**	55
Amount due to a subsidiary	16	**11,377**	–
Bank overdrafts, secured	25	**1,112**	–
Dividend payable		**42**	42
		13,737	97
Net current assets		**177,961**	260,184
NET ASSETS		**337,017**	419,240
CAPITAL AND RESERVES	28(b)		
Share capital		**50,336**	50,336
Reserves		**286,681**	368,904
TOTAL EQUITY		**337,017**	419,240

Ma Xuemian
Director

Ng Ka Chong
Director

The notes on pages 42 to 118 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	**2008** **HK$'000**	2007 HK$'000
Shareholders' equity at 1 January		**393,551**	314,268
Movements in equity arising from capital transactions			
Issue of shares	28(c)	**–**	104,678
Equity settled share-based transactions	28(a)	**13,190**	–
Net income recognised directly in equity			
Exchange differences arising on translation of foreign subsidiaries		**23,854**	22,848
Net loss for the year		**(91,655)**	(48,243)
Total recognised income and expense for the year		**(67,801)**	(25,395)
Shareholders' equity at 31 December		**338,940**	393,551

The notes on pages 42 to 118 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Loss before taxation			
Continuing operations		**(101,539)**	(31,834)
Discontinued operation	8(c)	**6,437**	(10,154)
		(95,102)	(41,988)
Adjustments for:			
Amortisation of prepaid premium for land leases	5(b)	**5,770**	5,432
Depreciation	5(b)	**1,815**	1,509
Equity-settled share-based payments	5(a)	**13,190**	–
Fair value loss/(gain) on investment properties	5(b)	**22,241**	(7,107)
Gain on deconsolidation of a subsidiary	8(e)	**(6,437)**	–
(Gain)/loss on disposal of property, plant and equipment, net	5(b)	**(239)**	35
Interest income	4	**(600)**	(422)
Interest expenses	5(c)	**1,062**	2,546
Impairment loss on amount due from a director	5(b)	**227**	–
Impairment loss on completed properties held for sale	5(b)	**244**	–
Impairment loss on mortgage loan receivables	5(b)	**544**	2,523
Impairment loss on other receivables, deposits and prepayments	5(b)	**4,927**	1,653
Impairment loss on prepaid carnival expenses and deposits	8(a)	**–**	8,605
Impairment loss on prepaid premium for land leases	5(b)	**–**	3,300
Impairment loss on properties under development	5(b)	**26,733**	–
Operating loss before changes in working capital		**(25,625)**	(23,914)
Decrease in completed properties held for sale		**2,083**	3,884
Decrease in mortgage loan receivables		**2,287**	8,579
Increase in prepaid carnival expenses and deposits		**–**	(1,808)
(Increase)/decrease in trade and other receivables		**(54,023)**	1,720
Increase/(decrease) in trade and other payables		**5,307**	(1,550)
(Decrease)/increase in deposits received on properties held for sale		**(256)**	361
Cash used in operations		**(70,227)**	(12,728)
Interest received		**600**	422
Interest paid		**(1,062)**	(2,546)
Tax paid – overseas tax refund/(paid)		**213**	(476)
Net cash used in operating activities		**(70,476)**	(15,328)

	Note	2008 HK$'000	2007 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(11)**	(341)
Additions to investment properties		**–**	(856)
Additions to prepaid premium for land leases		**(867)**	(107)
Increase in properties under development		**(117)**	(255)
Proceeds from disposal of prepaid premium for land leases		**4,972**	–
(Increase)/decrease in pledged bank deposits		**(27,996)**	2,600
Decrease in restricted cash		**702**	–
Net cash (used in)/generated from investing activities		**(23,317)**	1,041
Financing activities			
Net proceeds from issue of shares		**–**	104,678
Increase in interest-bearing borrowings		**46,933**	–
Repayment of interest-bearing borrowings		**(11,840)**	(13,371)
Repayment of advances from directors		**(7,616)**	(3,214)
Net cash generated from financing activities		**27,477**	88,093
Net (decrease)/increase in cash and cash equivalents		**(66,316)**	73,806
Cash and cash equivalents at 1 January		**71,043**	(2,277)
Effect of foreign exchange rate changes		**3,553**	(486)
Cash and cash equivalents at 31 December	22	**8,280**	71,043

The notes on pages 42 to 118 form part of these financial statements.

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 13 May 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development, property investment and property management. Details of the principal activities of its subsidiaries are set out in note 16 to the financial statements.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2 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 requirements of the Rules governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

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. Note 3 provides information on the 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries. The consolidated financial statements have been prepared based on the draft audited accounts of the subsidiaries, as disclosed in note 16, which have not yet been approved by the directors of the respective subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair value as explained in the accounting policies note 2(f).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

(d) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Segment reporting *(Continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financial expenses.

(e) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment properties *(Continued)*

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

When the company holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)(ii)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	2.5% or over the lease term, whichever is shorter
Leasehold improvements	20% – 33.3%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation. Such assets are at least tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the company

Assets that are held by company under leases which transfer to the company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the company are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the company, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the company acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the company will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(f)). Except where the property is classified as an investment property, impairment losses are recognised in accordance with the accounting policy set out in note 2(h).

Where the company has the use of other assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property held under development

Properties held under development are stated at the lower of cost and net realisable value and comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On commencement of construction, properties held for development are transferred to properties under development. On completion, the properties are transferred to completed properties held for sale.

(k) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

(l) Loans and receivables

(i) Mortgage loan receivables

Mortgage loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of mortgage loan receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Once mortgage loan receivables have been written down as a result of impairment loss, the reversal of previous provision will be charged to the administrative expenses.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Loans and receivables *(Continued)*

(ii) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Employee retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of this subsidiary in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the Company and its subsidiaries operating in the PRC have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the Company and its subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the income statement as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the company issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) Financial guarantees issued *(Continued)*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the company under the guarantee, and (ii) the amount of that claim on the company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies *(Continued)*

(iii) Group companies *(Continued)*

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a subsidiary, an associate of the Group or a joint venture in which the Group is a venturer;

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs has no material impact on the Group's financial statements for the current year presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36). Consequently, 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.

4 REVENUES AND SEGMENT INFORMATION

The principal activities of the Group are property development, property management and investment.

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale sold by the Group to outside customers, property rental income and property management services rendered for the years ended, less sales return of properties sold, and is analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Revenues		
Sales of properties held for sale	**1,826**	10,693
Less: Sales return of properties sold	**–**	(18,909)
Property rental	**2,071**	1,829
Property management services	**1,236**	–
Turnover	**5,133**	(6,387)
Other revenue and income		
Interest income on bank deposits	**486**	422
Interest income on loan receivables	**114**	–
Foreclosure income from sales return of properties	**–**	4,067
Gain on disposal of property, plant and equipment, net	**239**	–
Net exchange gains	**–**	38
Penalty income	**93**	101
Sundry income	**103**	619
	1,035	5,247
Total revenues and turnover	**6,168**	(1,140)

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

4 REVENUES AND SEGMENT INFORMATION *(Continued)*

(a) Business segments

The Group's four business segments comprise (i) property development, (ii) property rental, (iii) property management services and (iv) carnival operation.

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for 2008:

	Continuing operations				Discontinued operation	
	Property development HK$'000	Property rental HK$'000	Property management HK$'000	Total HK$'000	Carnival operation HK$'000	Consolidated HK$'000
Revenue						
Segment turnover						
Sales to external customers	1,826	2,071	1,236	5,133	–	5,133
Sales return from external customers	–	–	–	–	–	–
	1,826	2,071	1,236	5,133	–	5,133
Result						
Segment result	(36,155)	(20,170)	1,194	(55,131)	6,437	(48,694)
Unallocated income and gains, net				984	–	984
Unallocated expenses				(46,330)	–	(46,330)
Loss from operations				(100,477)	6,437	(94,040)
Finance costs				(1,062)	–	(1,062)
Loss before taxation				(101,539)	6,437	(95,102)
Income tax				3,447	–	3,447
Loss for the year				(98,092)	6,437	(91,655)
Asset and liability						
Segment assets	216,146	74,994	9,503	300,643	–	300,643
Unallocated assets				108,244	–	108,244
Total assets				408,887	–	408,887
Segment liabilities	14,391	159	284	14,834	–	14,834
Unallocated liabilities				55,113	–	55,113
Total liabilities				69,947	–	69,947

4 REVENUES AND SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Continuing operations				Discontinued operation	
	Property development HK$'000	Property rental HK$'000	Property management HK$'000	Total HK$'000	Carnival operation HK$'000	Consolidated HK$'000
Expenses						
Depreciation	1,815	–	–	1,815	–	1,815
Amortisation of prepaid premium for land leases	5,770	–	–	5,770	–	5,770
Impairment loss on amount due from a director	227	–	–	227	–	227
Impairment loss on completed properties held for sale	244	–	–	244	–	244
Impairment loss on mortgage loan receivables	544	–	–	544	–	544
Impairment loss on other receivables, deposits and prepayments	4,927	–	–	4,927	–	4,927
Impairment loss on properties under development	26,733	–	–	26,733	–	26,733
Fair value loss on investment properties	–	22,241	–	22,241	–	22,241
(Gain) on deconsolidation of a subsidiary	–	–	–	–	(6,437)	(6,437)
Capital expenditure	11	–	–	11	–	11

4 REVENUES AND SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for 2007:

	Continuing operations			Discontinued operation	
	Property development HK$'000	Property rental HK$'000	Total HK$'000	Carnival operation HK$'000	Consolidated HK$'000
Revenue					
Segment turnover					
Sales to external customers	10,693	1,829	12,522	–	12,522
Sales return from external customers	(18,909)	–	(18,909)	–	(18,909)
	(8,216)	1,829	(6,387)	–	(6,387)
Result					
Segment result	(20,393)	8,936	(11,457)	(9,438)	(50,895)
Unallocated income and gains, net			666	–	666
Unallocated expenses			(18,497)	–	(18,497)
Loss from operations			(29,288)	(9,438)	(38,726)
Finance costs			(2,546)	(716)	(3,262)
Loss before taxation			(31,834)	(10,154)	(41,988)
Income tax			(6,255)	–	(6,255)
Loss for the year			(38,089)	(10,154)	(48,243)
Asset and liability					
Segment assets	245,576	91,461	337,037	–	337,037
Unallocated assets			102,061	–	102,061
Total assets			439,098	–	439,098
Segment liabilities	13,782	343	14,125	6,457	20,582
Unallocated liabilities			24,965	–	24,965
Total liabilities			39,090	6,457	45,547

4 REVENUES AND SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Continuing operations			Discontinued operation	
	Property development HK$'000	Property rental HK$'000	Total HK$'000	Carnival operation HK$'000	Consolidated HK$'000
Expenses					
Depreciation	1,509	–	1,509	–	1,509
Amortisation of prepaid premium for land leases	5,432	–	5,432	–	5,432
Impairment loss on mortgage loan receivables	2,523	–	2,523	–	2,523
Impairment loss on other receivables, deposits and prepayments	1,653	–	1,653	–	1,653
Impairment loss on prepaid premium for land leases	3,300	–	3,300	–	3,300
Loss on disposal of property, plant and equipment	35	–	35	–	35
Fair value (gain) on investment properties	–	(7,107)	(7,107)	–	(7,107)
Capital expenditure	341	–	341	–	341

(b) Geographical segments

The Group principally operates in the People's Republic of China ("PRC") with revenue and results derived mainly from its operations in the PRC. No geographical segment information is presented as the Group's assets and liabilities are substantially located in the PRC.

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

		2008 HK$'000	2007 HK$'000
(a)	Staff costs (including directors' emoluments (note 7(a))):		
	Salaries, wages and other benefits	**7,604**	6,736
	Contributions to defined contribution retirement plans	**107**	74
	Equity-settled share-based payment expenses	**13,190**	–
		20,901	6,810
(b)	Other items:		
	Amortisation of prepaid premium for land leases	**5,770**	5,432
	Auditor's remuneration	**1,355**	662
	Business tax and other levies (included in cost of completed properties sold)	**99**	517
	Cost of completed properties sold	**2,181**	(9,231)
	Less: Cost of properties returned	**–**	(6,090)
	Depreciation	**1,815**	1,509
	Fair value loss/(gain) on investment properties	**22,241**	(7,107)
	Impairment loss on amount due from a director	**227**	–
	Impairment loss on completed properties held for sale	**244**	–
	Impairment loss on mortgage loan receivables	**544**	2,523
	Impairment loss on other receivables, deposits and prepayments	**4,927**	1,653
	Impairment loss on prepaid premium for land leases	**–**	3,300
	Impairment loss on properties under development	**26,733**	–
	(Gain)/loss on disposal of property, plant and equipment, net	**(239)**	35
	Net foreign exchange losses/(gains)	**1,368**	(38)
	Rental charges under operating leases for office premises	**2,395**	395
(c)	Finance costs:		
	Interest on interest-bearing borrowings – wholly repayable within five years	**1,062**	2,546

No borrowing costs have been capitalised during the two financial years.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current tax		
Enterprise income tax in the PRC	**55**	(341)
Land appreciation tax in the PRC	**49**	324
Deferred tax		
Origination of temporary differences (note 27(b))	**(3,551)**	6,272
	(3,447)	6,255

PRC enterprise income tax for the subsidiaries incorporated in the PRC is calculated at 25% of the estimated assessable profit for the year (2007: 15%).

PRC enterprise income tax for the subsidiaries incorporated in Hong Kong which have property development investments in the PRC is calculated at 3% (2007: 3%) of the sales revenue on the respective property development projects.

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

No provision for Hong Kong profits tax has been made in the financial statements as the Group's income neither arises, nor is derived, from Hong Kong in both financial years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate for certain subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates:

	2008	2007
	HK$'000	HK$'000
Loss before taxation		
Continuing operations	**(101,539)**	(31,834)
Discontinued operation	**6,437**	(10,154)
	(95,102)	(41,988)
Notional tax credit on loss before taxation	**(18,110)**	(7,112)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**7,978**	2,628
Tax effect on non-deductible expenses	**8,670**	11,469
Tax effect on non-taxable income	**(2,119)**	(1,054)
Tax effect on tax losses not recognised	**85**	–
Land appreciation tax	**49**	324
Actual tax (credit)/expense	**(3,447)**	6,255

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Directors' fees	Basic salaries and other benefits	2008 Provident fund contributions	Share-based payments (note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman					
Mr. Chu King Fai	–	631	11	1,795	2,437
Executive Directors					
Mr. Hwang Ho Tyan	–	50	–	–	50
Mr. Huang Bing Huang	–	438	–	180	618
Mr. Au Kwok Chuen, Vincent	–	790	12	1,795	2,597
Mr. Chan Sung Wai	–	168	8	–	176
Mr. Ma Xuemian	–	150	–	–	150
Mr. Lim Francis	–	–	–	–	–
Ms. Zhao Yang	–	–	–	–	–
Independent Non-executive Directors					
Mr. Hui Pui Wai, Kimber	70	–	3	–	73
Mr. Lum Pak Sum	66	–	3	–	69
Dr. Wong Yun Kuen	180	–	9	180	369
Mr. Yang Biao	93	–	5	180	278
Mr. Mok King Tong	93	–	5	180	278
Ms. Chan Kit Yee, Katherine	–	–	–	–	–
Mr. Chow Chi-ping, David	–	–	–	–	–
Non-executive Directors					
Mr. Zhao Juqun	93	–	–	1,795	1,888
Mr. Ng Ka Chong	–	–	–	–	–
Mr. Chen Mudong	–	–	–	–	–
	595	2,227	56	6,105	8,983

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	2007				
	Directors' fees	Basic salaries and other benefits	Provident fund contributions	Share- based payments (note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman					
Mr. Hwang Ho Tyan	–	206	–	–	206
Executive Directors					
Mr. Huang Bing Huang	–	428	–	–	428
Mr. Au Kwok Chuen, Vincent	–	616	10	–	626
Mr. Chan Sung Wai	–	47	2	–	49
Mr. Wong King Lam, Joseph	–	476	10	–	486
Mr. Tsang Wai Lun, Wayland	–	395	16	–	411
Madam Kwok Wai Man, Nancy	–	196	6	–	202
Mr. Siu King Nin, Peter	–	392	–	–	392
Independent Non-executive Directors					
Mr. Hui Pui Wai, Kimber	79	–	6	–	85
Mr. Lum Pak Sum	79	–	6	–	85
Dr. Wong Yun Kuen	79	–	6	–	85
	237	2,756	62	–	3,055

Note:

These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 26.

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: nil) individual during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Basic salaries and other benefits	**1,876**	–
Provident fund contributions	**–**	–
	1,876	–

The emoluments of the remaining highest paid individuals fell within the following bands:

Emoluments bands

	Number of individuals	
	2008	2007
HK$1,000,001 – HK$1,500,000	**2**	–

8 DISCONTINUED OPERATION

In November 2006, the Group acquired a 78% interest in a Hong Kong company, All Right Holdings Limited ("All Right"), to operate a carnival project in Shenzhen. The carnival was originally scheduled to launch in Christmas 2006 throughout the Lunar Chinese New Year. Due to the failure to obtain approval from the local government in late 2006 for the operating licence, the project did not take place and was rescheduled to commence at Easter 2007. The rescheduling of the carnival resulted in an impairment loss of HK$5,000,000, upon the directors' reassessment of its estimated cash flows, the Group set aside for the project in the financial year 2006.

In April 2007, the Group unfortunately failed to obtain the operating licence from the local government for the carnival in that the project came into a complete failure. No revenue or cash flow was generated from the project. The directors of the Company have written off all prepaid expenses and deposits relating to the carnival and; consequently made an additional impairment loss of HK$8,605,000 in the income statement for the year ended 31 December 2007. The directors had discontinued carnival operation and put the subsidiary into liquidation.

(a) An analysis of the results of the discontinued operation, after elimination of intra company transactions, is as follows:

	2008 **HK$'000**	2007 HK$'000
Turnover	**–**	–
Other revenue	**–**	97
Gain on deconsolidation of a subsidiary (note 8(e))	**6,437**	–
Administrative expenses	**–**	(930)
Impairment loss on prepaid carnival expenses and deposits	**–**	(8,605)
Profit/(loss) from operations	**6,437**	(9,438)
Finance costs	**–**	(716)
Profit/(loss) before taxation	**6,437**	(10,154)
Income tax	**–**	–
Profit/(loss) for the year	**6,437**	(10,154)

8 DISCONTINUED OPERATION *(Continued)*

(b) The major classes of assets and liabilities of the discontinued operation, after elimination of intra company balances, are as follows:

	2008 **HK$'000**	2007 HK$'000
Assets		
Assets directly associated with the discontinued operation	–	–
Liabilities		
Current liabilities		
Trade payables and accrued expenses	–	(3,599)
Interest-bearing borrowings	–	(2,858)
Liabilities directly associated with the discontinued operation	–	(6,457)

(c) An analysis of the cash flows of the discontinued operation is as follows:

	2008 **HK$'000**	2007 HK$'000
Net cash flow from operating activities	–	(2,829)
Net cash flow from financing activities	–	88
Net cash flow incurred by the discontinued operation	–	(2,741)

8 DISCONTINUED OPERATION *(Continued)*

(d) Earnings/(loss) per share from the discontinued operation

	2008	2007
	HK$'000	HK$'000
Basic and diluted from the discontinued operation	**0.26 cents**	(0.44 cents)

(e) Gain on deconsolidation of a subsidiary

With a court order to wind up All Right issued on 15 October 2008, the Group deconsolidated all liabilities of All Right, recognising a gain of HK$6,437,000 in the consolidated income statement.

9 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK$95,413,000 (2007: HK$6,666,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2008 (2007: HK$nil).

11 LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to equity shareholders of approximately HK$91,655,000 (2007: HK$48,243,000) and on the weighted average number of 2,516,810,000 (2007: 2,286,709,000) shares in issue during the year.

Diluted loss per share is not presented as there are no diluting events during the years ended 31 December 2007 and 2008.

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2007	21,269	4,489	602	1,781	28,141
Exchange differences	1,263	178	42	53	1,536
Additions	–	341	–	–	341
Transfer from investment properties (note 13)	5,350	–	–	–	5,350
Disposals	–	(475)	(357)	(217)	(1,049)
At 31 December 2007	27,882	4,533	287	1,617	34,319
At 1 January 2008	27,882	4,533	287	1,617	34,319
Exchange differences	1,535	113	16	36	1,700
Additions	–	11	–	–	11
Transfer from completed properties held for sale (note 20)	127	–	–	–	127
Disposals	(1,200)	(997)	–	–	(2,197)
At 31 December 2008	28,344	3,660	303	1,653	33,960
Accumulated depreciation					
At 1 January 2007	5,939	3,364	595	1,407	11,305
Exchange differences	250	121	41	26	438
Charge for the year	1,023	377	–	109	1,509
Written back on disposals	–	(451)	(357)	(206)	(1,014)
At 31 December 2007	7,212	3,411	279	1,336	12,238
At 1 January 2008	7,212	3,411	279	1,336	12,238
Exchange differences	299	69	21	18	407
Charge for the year	1,304	416	–	95	1,815
Written back on disposals	(329)	(784)	–	–	(1,113)
At 31 December 2008	8,486	3,112	300	1,449	13,347
Carrying value					
At 31 December 2008	**19,858**	**548**	**3**	**204**	**20,613**
At 31 December 2007	20,670	1,122	8	281	22,081

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

The carrying amount of the buildings, all being held on long term leases, comprises:

	2008 HK$'000	2007 HK$'000
Buildings situated in Hong Kong	–	898
Buildings situated in the PRC	19,858	19,772
	19,858	20,670

Buildings situated in the PRC mainly represent car park spaces and other facilities built in the construction projects.

Buildings situated in Hong Kong were held under long term leases (see also note 21(c)).

13 INVESTMENT PROPERTIES

	The Group	
	2008 HK$'000	2007 HK$'000
At 1 January	90,391	79,264
Exchange differences	5,364	5,308
Additions	–	856
Transfer from completed properties held for sale (note 20)	344	3,206
Transfer to property, plant and equipment	–	(5,350)
Fair value (loss)/gain on investment properties	(22,241)	7,107
At 31 December	73,858	90,391

13 INVESTMENT PROPERTIES *(Continued)*

Investment properties of the Group were revalued as at 31 December 2008 and 2007 on an open market value basis calculated using the Comparison Approach assuming sales in their existing states with the benefit of vacant possession and by reference to comparable sales/ rental evidence as available in the relevant markets. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

All of the investment properties are situated in the PRC and held on long term leases.

The carrying amounts of investment properties approximate their fair values.

14 PREPAID PREMIUM FOR LAND LEASES

The Group

	Leasehold land in PRC	Leasehold land in Hong Kong	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2007	177,657	4,100	181,757
Exchange differences	12,337	–	12,337
Additions	107	–	107
At 31 December 2007	190,101	4,100	194,201
At 1 January 2008	190,101	4,100	194,201
Exchange differences	11,896	–	11,896
Additions	867	–	867
Disposals	–	(4,100)	(4,100)
At 31 December 2008	202,864	–	202,864

14 PREPAID PREMIUM FOR LAND LEASES *(Continued)*

The Group *(Continued)*

	Leasehold land in PRC HK$'000	Leasehold land in Hong Kong HK$'000	Total HK$'000
Accumulated amortisation and impairment			
At 1 January 2007	1,718	243	1,961
Exchange differences	22	–	22
Charge for the year	5,319	113	5,432
Provision for impairment loss	3,300	–	3,300
At 31 December 2007	10,359	356	10,715
At 1 January 2008	10,359	356	10,715
Exchange differences	748	–	748
Charge for the year	5,675	95	5,770
Written back on disposals	–	(451)	(451)
At 31 December 2008	16,782	–	16,782
Carrying value			
At 31 December 2008	**186,082**	**–**	**186,082**
At 31 December 2007	179,742	3,744	183,486

	The Group	
	2008 HK$'000	2007 HK$'000
Leases of over 50 years – Hong Kong	**–**	3,744
– PRC	**12,839**	12,172
Leases of between 10 to 50 years – PRC	**173,243**	167,570
	186,082	183,486

14 PREPAID PREMIUM FOR LAND LEASES *(Continued)*

(i) Leasehold land in the PRC comprises the cost of acquiring rights to use land in the PRC for property development over fixed periods.

(ii) Amortisation of prepaid premium for land leases is recognised as an expense on a straight-line basis over the unexpired period of the land leases.

(iii) The leasehold land in the PRC held under long term leases of HK$12,839,000 (2007: HK$12,172,000) comprises parcels of land in Dongguan. The land use right certificates are registered under the name of co-operative partners (see also note 15(b)).

(iv) The leasehold land in the PRC held under a medium term lease in the amount of HK$173,243,000 (2007: HK$167,570,000) represents the Group's 50% interest in a parcel of land in Shenzhen.

(v) A provision for impairment loss of HK$3,300,000 as at 31 December 2007 was made against a parcel of land in Dongguan, by reference to the valuation report prepared by an independent firm of surveyors, BMI Appraisals Limited, using an open market value basis.

(vi) Leasehold land in Hong Kong was held for own use under a long-term lease (see also note 21(c)).

15 PROPERTIES UNDER DEVELOPMENT

	The Group	
	2008	2007
	HK$'000	HK$'000
Development and incidental costs	**31,791**	29,824
Interest capitalised	**7,411**	6,978
	39,202	36,802
Less: Provision for impairment loss (note 15(c))	**(26,733)**	–
	12,469	36,802

15 PROPERTIES UNDER DEVELOPMENT *(Continued)*

The carrying amounts of properties under development are analysed as below:

	The Group	
	2008	2007
	HK$'000	HK$'000
Property development projects with co-operative partner (note 15(b))	**–**	25,171
Property development project on its own	**12,469**	11,631
	12,469	36,802

(a) The balance represents the costs incurred by the Group on the properties under construction in the PRC.

(b) Under the contracts of property development projects entered into between the Group and the co-operative partner, the co-operative partner was responsible for making available the land use rights of the construction sites while the Group was responsible for the construction of these properties.

(c) A provision for impairment of properties under development, in an aggregate amount of HK$26,733,000, was made as at 31 December 2008 as, in the opinion of the directors, the piling and foundation works for which development costs were incurred were no longer useful for contemporary building development.

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**159,056**	159,056
Amounts due from subsidiaries	**261,879**	206,270
Less: Provision for impairment loss	**(71,795)**	–
	190,084	206,270
Amount due to a subsidiary	**(11,377)**	–

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1999.

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Group's subsidiaries as at 31 December 2008 are as follows:

Name of subsidiary	Place/country of Incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest		Principal activities
			Directly	Indirectly	
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Grand Field Group Limited*	Hong Kong	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	–	100%	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited	PRC	RMB19,232,100	–	100%	Property development
Ka Fong Industrial Company Limited*	Hong Kong/PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	–	100%	Property development
Kwan Cheung Holdings Limited*	Hong Kong/PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	–	100%	Property development
Shing Fat Hong Limited*	Hong Kong/PRC	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	–	100%	Property development

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of Incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly	Principal activities
Grand Field New Energy Company Limited*	Hong Kong	HK$2	–	100%	Property holding
Yuan Cheng Real Estate (Shenzhen) Limited	PRC	HK$50,000,000	–	100%	Property management, information services and property agent
Metro China Investment Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Dormant
China Max Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
China Maxline Limited*	Hong Kong	HK$1	–	100%	Investment holding

* Baker Tilly Hong Kong Limited are the auditors of these subsidiaries. The draft audited accounts of these subsidiaries have not yet been approved by their directors.

17 MORTGAGE LOAN RECEIVABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Total loan receivables (note 17(a))	**12,695**	14,982
Less: Provision for impairment loss (note 17(b))	**(8,169)**	(7,520)
	4,526	7,462
Less: Current portion classified as current assets	**(1,770)**	(3,554)
Balance due after one year	**2,756**	3,908

Mortgage loan receivables represent the interest-free loans provided by the Group to the purchasers of properties which are repayable by instalments as stipulated in the loan agreement. The loans are secured by the purchasers' properties. Pursuant to the terms of the sale and purchase agreements, upon default in instalment payments by purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All of the mortgage loan receivables are denominated in Renminbi.

The carrying amounts of the current portions and non-current portions of mortgage loan receivables approximate their fair values. The fair value is determined based on cash flows discounted using the Group's bank borrowings rate of 5.913% per annum (2007: 7.25% per annum).

17 MORTGAGE LOAN RECEIVABLES *(Continued)*

(a) Maturity analysis

	The Group	
	2008	2007
	HK$'000	HK$'000
Total mortgage loans are receivable as below:		
Within one year	**3,553**	7,579
In more than one year but less than five years	**9,142**	7,065
In more than five years	**–**	338
	12,695	14,982

(b) Impairment of mortgage loan receivables

The movement in the provision for impairment loss during the year, including discounting effect, both specific and collective loss components, is as follows:

	2008	2007
	HK$'000	HK$'000
At 1 January	**7,520**	6,534
Exchange differences	**105**	121
Amounts written back upon return of properties	**–**	(157)
Impairment loss recognised	**544**	2,680
Uncollectible amounts written off	**–**	(1,658)
At 31 December	**8,169**	7,520

17 MORTGAGE LOAN RECEIVABLES *(Continued)*

(c) Mortgage loan receivables that are not impaired

An analysis of mortgage loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	2008 HK$'000	2007 HK$'000
Full performing under credit terms, impaired as discounted	**4,526**	7,462
Past due and impaired	**–**	–
	4,526	7,462

18 PLEDGED BANK DEPOSITS

The pledged bank deposits represent the bank deposits pledged as a security for bank loans (note 25(a)). As the deposit will continue to be pledged in the next twelve months, the balance is classified as a non-current asset.

All of the pledged bank deposits are denominated in Renminbi.

19 OTHER NON-CURRENT ASSETS

	The Group	
	2008 HK$'000	2007 HK$'000
Security deposit for property management services (note 19(a))	**9,091**	–
Security deposits for construction projects (note 19(b))	**11,364**	–
	20,455	–
Less: Current portion classified as current assets (note 21)	**(5,682)**	–
	14,773	–

19 OTHER NON-CURRENT ASSETS *(Continued)*

(a) On 25 March 2008, the Group's wholly owned subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng"), entered into an agreement with Dongguan City Hua Jia Fu Industry and Trading Limited and Dongguan City Min Tai Industry and Investment Limited for provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 for a term of 2 years. Yuan Cheng made a security deposit of RMB8,000,000, which is refundable at the end of contract. Details of the transaction are disclosed in the Company's announcement dated 14 April 2008.

(b) On 17 June 2008, Yuan Cheng entered into a co-operation framework agreement with Shenzhen Zhong Cheng Construction Engineering Company Limited ("Zhong Cheng"), pursuant to which Yuan Cheng appoints Zhong Cheng as the main contractor of construction projects to which Yuan Cheng refers, and acts as project manager to provide management services for the construction projects. Zhong Cheng shall undertake all construction projects referred by Yuan Cheng and provide building construction services, piling foundation, site formation, civil engineering and fitting-out services. Yuan Cheng paid a security deposit of RMB5,000,000 to Zhong Cheng and Zhong Cheng shall render 10% of the deposits, RMB500,000, as an annual charge in consideration of the services provided and distribute 90% of the profits after tax generated from the construction projects carried out under the construction licence of Zhong Cheng. Zhong Cheng has undertaken the annual profits after tax shall not be less than RMB500,000. This co-operation framework agreement is effective for 10 years, at the end of which the RMB5,000,000 deposit will be refunded. Details of the transaction are disclosed in the Company's announcements dated 17 and 18 June 2008.

Against this co-operation framework agreement, on 7 July 2008, Yuan Cheng signed a services and investment contract with Zhong Cheng to act as a project manager to provide engineering support and consultancy services for 深圳鴻邦科技工業廠區工程項目 (龍崗項目) of 深圳翠濤電子科技有限公司 while Zhong Cheng provides building and construction services and building materials for 龍崗項目. According to the terms of agreement, Yuan Cheng paid a deposit of RMB5,000,000 to Zhong Cheng and Zhong Cheng would distribute 90% of profit after tax generated from the project to Yuan Cheng. The contract lasts for 10 months, at end of which the deposit will be refunded and the results of the project be calculated. Subsequent to the balance sheet date, the deposits were fully refunded in cash to the Group.

20 COMPLETED PROPERTIES HELD FOR SALE

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**18,585**	23,220
Exchange differences	**1,043**	1,436
Sales recognised for the year	**(2,083)**	(7,983)
Sales returned for the year	**–**	5,118
Transfer to investment properties	**(344)**	(3,206)
Transfer to property, plant and equipment	**(127)**	–
At 31 December	**17,074**	18,585
Less: Provision for impairment loss	**(649)**	(405)
	16,425	18,180

All of the completed properties held for sale are situated in the PRC, are carried at cost and are held on long term leases.

The carrying amounts of completed properties held for sale approximate their fair values.

21 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note 21(b))	**412**	–	**–**	–
Other receivables	**3,652**	3,961	**–**	–
Amount receivable on sale of leasehold property (note 21(c))	**4,965**	–	**–**	–
Loan receivables (note 21(d))	**7,966**	–	**–**	–
Deposit for purchase of property (note 21(e))	**5,682**	–	**–**	–
Deposit for development project (note 21(f))	**6,818**	–	**–**	–
Deposit for purchase of companies (note 21(g))	**1,295**	–	**–**	–
Security deposits for construction projects (note 19(b))	**5,682**	–	**–**	–
Retainer money on accounts with solicitors for legal cases	**1,200**	–	**1,200**	–
Other deposits and prepayments	**3,693**	3,081	**371**	290
	41,365	7,042	**1,571**	290

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year. The carrying amounts of trade and other receivables approximate their fair values.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Currency analysis

The carrying amounts of trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**6,932**	2,812	**1,571**	290
Renminbi	**34,433**	4,230	**–**	–
	41,365	7,042	**1,571**	290

(b) Ageing analysis

An ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Current, neither past due nor impaired	**412**	–

(c) During the year, the Group disposed of its leasehold land and buildings in Hong Kong and furniture and fixture attached thereto, at a consideration of HK$5,050,000, recognising a gain of HK$300,000 in the consolidated income statement.

The amount receivable represents the net proceeds from disposal of the property being held in trust by the Group's solicitors.

(d) During the year, the Group entered into an agreement with Shenzhen Zhong Cheng Construction Engineering Company Limited ("Zhong Cheng") to grant unsecured loans and charge interest rates ranging from 18% to 30% per annum. The loans are repayable within one year.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

(e) Pursuant to a memorandum entered into with 深圳市寶瀾投資股份有限公司(深圳市寶瀾) dated 1 December 2008, Yuan Cheng made a deposit of RMB5,000,000 with 深圳市寶瀾 in connection with a possible property project "華僑新苑" in Shenzhen developed by 深圳市寶瀾. The memorandum sets out a 1-year period, during which Yuan Cheng has an option to purchase the property at a consideration of RMB89,871,700 or to be reimbursed the deposit should Yuan Cheng not proceed with the property purchase.

(f) Pursuant to a letter of intent entered into with 深圳市東海怡景投資有限公司(東海怡景) dated 1 December 2008, Metro China Investment Limited ("Metro China"), a subsidiary of the Company, made a deposit of RMB6,000,000 with 東海怡景 to explore the development of a land owned by 東海怡景 and is specified for tourism projects. The letter of intent sets out a 240-day period, during which Metro China has an option to participate in the development project through acquisition of the shares of 東海怡景 or to be reimbursed the deposit should Metro China not proceed with the acquisition. Subsequent to the balance sheet date, the deposit was fully refunded in cash to the Group.

(g) On 17 October 2008, China Max Group Limited, a wholly owned subsidiary of the Company, made a deposit of RMB1,140,000 for a motor vehicle with registration licenses both in Hong Kong and Shenzhen, through acquisition of a Hong Kong company and a PRC company.

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**10,780**	73,654	**43**	53,721
Less: Restricted cash	**(1,388)**	(2,090)	**–**	–
Cash and cash equivalents in the balance sheet	**9,392**	71,564	**43**	53,721
Bank overdrafts (note 25)	**(1,112)**	(521)	**(1,112)**	–
Cash and cash equivalents in the cash flow statement	**8,280**	71,043	**(1,069)**	53,721

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents and restricted cash approximate their fair values.

(b) Restricted cash represents guarantee deposits for mortgage loans provided to purchasers of the Group's properties. According to the relevant contracts with banks, the Group is required to place at designated bank accounts certain amount as deposits for potential default in payment of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(c) The carrying amounts of cash and cash equivalents and restricted cash are denominated in the following currencies:

	The Group		**The Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,024**	70,028	**43**	53,721
Renminbi (note 22(d))	**8,756**	3,626	**–**	–
	10,780	73,654	**43**	53,721

(d) The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to building contractors	**985**	941	**–**	–
Accrued salaries and other expenses	**2,843**	1,497	**1,206**	55
Deposits received on sale of properties	**872**	1,128	**–**	–
Rental deposits received on investment properties	**186**	385	**–**	–
Receipts in advance	**284**	–	**–**	–
Amount payable on returned properties	**6,653**	6,265	**–**	–
Other payables	**2,638**	2,773	**–**	–
	14,461	12,989	**1,206**	55

All of the trade and other payables are expected to be settled or recognised as an income within one year. The carrying amounts of trade and other payables approximate their fair values.

23 TRADE AND OTHER PAYABLES *(Continued)*

(a) Ageing analysis

An ageing analysis of trade payables is set out as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current to 90 days	**–**	–	**–**	–
91 to 180 days	**–**	–	**–**	–
181 to 360 days	**–**	–	**–**	–
Over 360 days	**985**	941	**–**	–
	985	941	**–**	–

(b) Currency analysis

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**3,383**	2,211	**1,206**	55
Renminbi	**11,078**	10,778	**–**	–
	14,461	12,989	**1,206**	55

24 AMOUNTS DUE TO RELATED PARTIES

The amounts due to Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy who were the former directors of the Company, were unsecured, interest free and had no fixed terms of repayment.

The amounts were repaid during the year.

25 INTEREST-BEARING BORROWINGS

At 31 December 2008, the interest-bearing borrowings were repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year or on demand				
– Bank loans, secured (note 25(a))	**23,000**	–	**–**	–
– Loans from third party (note 25(b))	**24,501**	11,683	**–**	–
– Bank overdrafts	**1,112**	521	**1,112**	–
	48,613	12,204	**1,112**	–

(a) At 31 December 2008, the bank loans were secured by the Group's bank deposits of HK$27,996,000, interest-bearing at 5.913% per annum and repayable in 3 months.

(b) At 31 December 2008, loans from third party were unsecured, interest-bearing at the weighted average effective interest rate of 2% (2007: 12%) per annum and repayable within 1 year.

(c) The carrying amounts of interest-bearing borrowings are denominated in the following currencies:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**1,112**	521	**1,112**	–
Renminbi	**47,501**	11,683	**–**	–
	48,613	12,204	**1,112**	–

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 23 June 2006 whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of HK$1 to subscribe for shares of the Company. The options have no vesting conditions and are exercisable within a period of three years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Contractual life of options**
Options granted to directors:		
– on 21 August 2008	92,500,000	3 years
– on 21 October 2008	14,500,000	3 years
Options granted to employees:		
– on 21 August 2008	30,400,000	3 years
– on 21 October 2008	41,500,000	3 years
Options granted to third party:		
– on 21 August 2008	–	3 years
– on 21 October 2008	25,000,000	3 years
Total share options	203,900,000	

(Expressed in Hong Kong dollars)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**–**	**–**	–	–
Granted during the year	**HK$0.1548**	**203,900,000**	–	–
Outstanding at the end of the year	**HK$0.1548**	**203,900,000**	–	–
Exercisable at the end of the year	**HK$0.1548**	**203,900,000**	–	–

The options outstanding at 31 December 2008 had an exercise price of HK$0.1724 or HK$0.1280 and a weighted average remaining contractual life of 2.7 years.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	Lot one as at 21 August 2008	Lot two as at 21 October 2008
Fair value at measurement date	HK$0.0718	HK$0.0539
Share price	HK$0.1540	HK$0.1150
Exercise price	HK$0.1724	HK$0.1280
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	87.16%	87.68%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3 years	3 years
Expected dividends	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.397%	1.856%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2008	2007
	HK$'000	HK$'000
Enterprise income tax payable in the PRC	**617**	789
Land appreciation tax payable in the PRC	**3,104**	3,004
	3,721	3,793

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of investment properties	
	2008	2007
	HK$'000	HK$'000
Deferred tax arising from:		
At 1 January	**6,272**	–
Exchange differences	**389**	–
(Credit)/charge to the consolidated income statement	**(3,551)**	6,272
At 31 December	**3,110**	6,272

28 CAPITAL AND RESERVES

(a) The Group

	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2007		41,926	165,681	–	(2,215)	23,399	85,477	314,268
Issue of shares	28(c)	8,410	96,268	–	–	–	–	104,678
Net loss for the year		–	–	–	–	–	(48,243)	(48,243)
Exchange differences arising on translation of foreign operations		–	–	–	–	22,848	–	22,848
At 31 December 2007		50,336	261,949	–	(2,215)	46,247	37,234	393,551
Equity-settled share-based transactions		–	–	13,190	–	–	–	13,190
Net loss for the year		–	–	–	–	–	(91,655)	(91,655)
Exchange differences arising on translation of foreign operations		–	–	–	–	23,854	–	23,854
At 31 December 2008		**50,336**	**261,949**	**13,190**	**(2,215)**	**70,101**	**(54,421)**	**338,940**

(b) The Company

	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007		41,926	165,681	–	140,281	(26,660)	321,228
Issue of shares	28(c)	8,410	96,268	–	–	–	104,678
Net loss for the year		–	–	–	–	(6,666)	(6,666)
At 31 December 2007		50,336	261,949	–	140,281	(33,326)	419,240
Equity-settled share-based transactions		–	–	13,190	–	–	13,190
Net loss for the year		–	–	–	–	(95,413)	(95,413)
At 31 December 2008		**50,336**	**261,949**	**13,190**	**140,281**	**(128,739)**	**337,017**

28 CAPITAL AND RESERVES *(Continued)*

(c) Share capital

(i) Authorised and issued share capital

	2008 No. of shares ('000)	2008 HK$'000	2007 No. of shares ('000)	2007 HK$'000
Authorised:				
Ordinary shares of HK$0.02 each	**5,000,000**	**100,000**	5,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,516,810**	**50,336**	2,096,310	41,926
Issue of shares	**–**	**–**	420,500	8,410
At 31 December	**2,516,810**	**50,336**	2,516,810	50,336

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issue of shares

On 15 January 2007, 180,500,000 ordinary shares in the Company were issued at a consideration of HK$19,078,000 of which HK$3,610,000 was credited to share capital and the balance of HK$15,468,000 was credited to the share premium account.

On 2 November 2007, 100,000,000 ordinary shares in the Company were issued at a consideration of HK$31,000,000 of which HK$2,000,000 was credited to share capital and the balance of HK$29,000,000 was credited to the share premium account.

On 31 December 2007, 140,000,000 ordinary shares in the Company were issued at a consideration of HK$54,600,000 of which HK$2,800,000 was credited to share capital and the balance of HK$51,800,000 was credited to the share premium account.

28 CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share-based payments in note 2(p)(iii).

(iii) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(v) Contributed surplus

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

28 CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(v) Contributed surplus

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(e) Distributability of reserves

In the opinion of the directors, the Company's reserves available for distribution to equity shareholders are as follows:

	2008	2007
	HK$'000	HK$'000
Contributed surplus	**140,281**	140,281
Accumulated losses	**(128,739)**	(33,326)
	11,542	106,955

(f) Capital management

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

28 CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2008 and 2007 was as follows:–

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
Payables and other borrowings	**67,949**	32,297	**1,248**	97
Add/less: cash and cash equivalents	**(8,280)**	(71,043)	**1,069**	(53,721)
Net (asset)/debt	**59,669**	(38,746)	**2,317**	(53,624)
Total equity and adjusted capital	**338,940**	393,551	**337,017**	419,240
Gearing ratio	**18%**	(10%)	**1%**	(13%)

The deterioration in gearing ratio at 31 December 2008 is due to a significant decrease in cash and cash equivalents.

29 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its mortgage loans and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of mortgage loans and other receivables in order to minimise the credit risk. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk in relation to mortgage loans and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from mortgage loan receivables are set out in note 17.

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the guarantee deposits placed with banks by the Group as set out in note 22, the Group does not provide any guarantees which would expose the Group to credit risk.

29 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest-rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowing issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at 31 December 2008 and 2007, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the current/prior year would have been HK$352,000 and HK$11,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(d) Foreign currency risk

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group seeks to finance these investments by Renminbi borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce exposure should the market conditions require.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

30 COMMITMENTS

(a) The capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for:		
Premium for land leases	**410**	386
Authorised but not contracted for:		
Property development expenditure	**–**	31,145
	410	31,531

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**710**	1,419
In the second to fifth years inclusive	**–**	828
	710	2,247

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 2 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

30 COMMITMENTS *(Continued)*

(c) Properties leased out under operating leases

The Group leases out investment property under operating leases. The leases typically run for an initial period of one to eight years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**1,156**	927
In the second to fifth years inclusive	**3,317**	3,128
Over five years	**–**	1,074
	4,473	5,129

31 CONTINGENT LIABILITIES

(a) Litigation

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates

On 6 June 2008, the Company was served with a writ of summons ("Originating Summons") by Mr. Tsang Wai Lun Wayland, a former director and shareholder of the Company, alleging that in a transaction entered into in March 2008 by its wholly owned subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng") with Dongguan City Hua Jia Fu Industry and Trading Limited and Dongguan City Min Tai Industry and Investment Limited in provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 for a term of 2 years, a refundable security deposit of RMB8,000,000 which Yuan Cheng made with Hua Jia Fu, was abused or mishandled (See also note 19(a)).

31 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

On 10 August 2008, a writ of summons was issued by Mr. Tsang against the Company in relation to the resolutions passed in the Annual General Meeting held on 18 June 2008 and in a Special General Meeting held on 25 June 2008. Mr. Tsang sought, inter alias, (i) an order to set aside the resolutions passed at the Annual General Meeting held on 18 June 2008 to grant general mandate for allotment and issue of 20% new share, and repurchase of 10% shares, and a declaration of the resolutions being invalid and null and void and of no legal effect; and (ii) an order to set aside the resolutions passed at a Special General Meeting held on 25 June 2008 in favour of election of Mr. Zhao Yang, Mr. Zhao Juqun, Mr. Yang Biao and Mr. Mok King Tong, and against the election of Mr. Huang Dennis Chong, Mr. Lim Francis, Mr. David Chi-ping Chow, Mr. Wong Ching Wan as directors of the Company, and a declaration of the resolutions being invalid and null and void and of no legal effect.

On 26 August 2008, the Company received a writ of summons by Mr. Tsang against the Company, its subsidiaries, Grand Field Group Holdings (BVI) Limited, Grand Field Group Limited ("Grand Field-HK"), Ms. Chen Yu, Mr. Hui Zhihua and Mr. Wen Li. Mr. Tsang sought, inter alias, (i) an order to set aside the resolutions dated 28 April 2008 to appoint Ms. Chen Yu, and Mr. Hui Zhihua as directors of Grand Field-HK and declare the resolutions invalid and null and void and of no legal effect; (ii) an order to set aside the resolutions dated 16 July 2008 for appointment of Ms. Chen Yu, Mr. Hui Zhihua and Mr. Wen Li as directors of Grand Field-HK and for ratification and confirmation of the acts and documents done by them, and a declaration that the resolutions are invalid and null and void and of no legal effect; and (iii) damages and/or equitable compensation, interest, costs and further and/or other relief.

31 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates *(Continued)*

Subsequent to the balance sheet date, on 9 February 2009, the Company was served with a writ of summons by Mr. Tsang against Mr. Chu King Fai, Mr. Au Kwok Chuen Vincent, Mr. Zhao Juqun, Dr. Wong Yun Kuen, Mr. Yang Biao, and Mr. Mok King Tong, Ms. Chen Yu, Mr. Wen Li, Miss Wang Zi-han, Miss Ho Suk Yin Nancy, Mr. Ho Wah Sang and the Company, alleging that Mr. Chu King Fai, Mr. Au Kwok Chuen Vincent, Mr. Zhao Juqun, Dr. Wong Yun Kuen, Mr. Yang Biao, and Mr. Mok King Tong conducted the Company's affairs to the exclusion of Mr. Zhao Yang, Mr. Lim Francis and Mr. Maxuemian, Mr. Chen Mudong and Mr. Ng Ka Chong and Ms. Chan Kit Yee Katherine and Mr. David Chi-ping Chow. Mr. Tsang sought, inter alias, (i) an order to set aside the Company's director appointment and injunction resolutions and a declaration that these resolutions are invalid and null and of no legal effect; (ii) an order to restrain Ms. Chen Yu, Mr. Wen Li, Miss Wang Zi-han, Miss Ho Suk Yin, Nancy and Mr. Ho Wah Sang from acting as directors; (iii) an order to restrain Mr. Chu King Fai, Mr. Au Kwok Chuen Vincent, Mr. Zhao Juqun, Dr. Wong Yun Kuen, Mr. Yang Biao, and Mr. Mok King Tong from (aa) conducting the Company's affairs to the exclusion of Mr. Zhao Yang, Mr. Lim Francis and Mr. Maxuemian, Mr. Chen Mudong and Mr. Ng Ka Chong and Ms. Chan Kit Yee Katherine and Mr. David Chi-ping Chow, and (bb) proceeding any legal action in relation to their claims or cross claims against Rhenfield Development Corp. and Mr Tsang; (iv) an order to indemnify the Company for all loss and damage to the Company; and (v) an order to declare and a declaration of no proper authorization by the Company to instruct the Hong Kong Counsel for institution of the Hong Kong proceedings in the name of the Company against Rhenfield.

On 25 February 2009, the Originating Summons was revised and issued by Mr. Tsang in the name of the Company in accordance with section 168BC of the Hong Kong Companies Ordinance against its directors, Mr. Chu King Fai, Mr. Huang Bing Huang, Mr. Au Kwok Chuen Vincent, Mr. Hwang Ho Tyan, Mr. Zhao Juqun, Mr. Yang Biao, Dr. Wong Yun Kuen and Mr. Mok King Tong and the Company, alleging that the directors had breached their fiduciary duties in relation to (i) the passing of the following resolutions of the Board, (aa) the resolution passed on or about 14 January 2008 to approve the remittance of HK$50,000,000 to Yuan Cheng, (bb) the resolution passed on or about 27 May 2008 to sanction the acquisition of the Yangzhou Project from Min Tai Development at HK$88,000,000 with an up-front payment of HK$5,000,000 paidout of funds of Yuan Cheng, (cc) the resolution passed on or about 15 March 2008 to sanction the entry of management services agreement by Yuan Cheng with Dongguan City Hua Jia Fu Industry and Trading Limited and Dongguan City Min Tai Industry and Investment Limited, which involved an up-front payment of RMB8,000,000 by Yuan Cheng, (dd) the resolution passed on 27 May 2008 to sanction

31 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

the entry of a cooperation framework agreement by Yuan Cheng with Zhong Cheng which involved an up-front payment of RMB5,000,000; (ii) the transfer of HK$50,000,000 to Yuan Cheng and to put the said HK$50,000,000 under the control of Yuan Cheng; (iii) the delivery of the financial documents of Yuan Cheng, including cheque books, chops and seals, bank cards, keys to safe deposit boxes to Madam Cheng Lai Yin; (iv) the failure and/or refusal to conduct any proper inquiry or due diligence into the proposed acquisition of the Yangzhou Project and/or the entire share capital of Min Tai Development; (v) the entering into of the placing agreement dated 14 July 2008 whereby the Company conditionally agreed to place 100,000,000 shares in the Company at the price of HK$0.16 per share in order to finance the proposed acquisition of the Yangzhou Project; (vi) the failure to cause Yuan Cheng and/or the Company to recover the earnest money in the amount of HK$5,000,000 from Min Tai Development in accordance with the letter of intent dated 23 June 2008 within 10 days after the Yangzhou Project fell through on 30 September 2008; (vii) the payment of the amount of RMB8,000,000 by Yuan Cheng to Dongguan City Hua Jia Fu Industry and Trading Limited; (viii) the failure and/or refusal to conduct any or any proper inquiry into the terms of the Cooperation Framework Agreement and the payment of RMB5,000,000 deposit on 23 June 2008 pursuant to the Co-operation Framework Agreement; (ix) the payment of the sums of RMB10,000,000 and RMB7,000,000 by Yuan Cheng to Zhong Cheng on or about 15 July 2008 and 29 August 2008 respectively; (x) the transfer of sums totaling RMB33,100,000 between Yuan Cheng and Shenzhen Hua Ke Nano-Technology Development Company Limited from 30 April 2008 to 23 June 2008; and (xi) the passing of the resolutions on 15 and 20 November 2008 sanctioning Grand Field Property Development (Shenzhen) Company Limited, a wholly owned subsidiary of the Group, to borrow up to RMB50,000,000 to repay a loan owed to Yuan Cheng and to use the balance as operation capital of the Company. On the basis of these allegations, Mr. Tsang sought, inter alia, (i) a declaration that the decisions of the directors to pass the Resolutions purportedly as board resolutions of the Company was not made bona fide in the interest of the Company; (ii) an order that the Resolutions be set aside, further or alternatively, a declaration that the Resolutions are invalid, null and void and of no legal effect; (iii) damages and/or equitable compensation, interest, costs and further and/or other relief; (iv) restitution of payments received directly or indirectly by the directors, or any of them in breach of their fiduciary duties; (v) an account and/or inquiry of all payments, profits made and/or benefits received directly or indirectly as a result of their breaches of their fiduciary duties and an order for payment of all sums and delivery up of all assets found due upon the said inquiry or taking of the said account; and (vi) an injunction against the directors restraining each of them from continuing as the Company's directors and/or exercising the powers as director.

31 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates *(Continued)*

On 1 April 2009, the Company received a writ of summons by Rhenfield Development Corporation ("Rhenfield"), in which Mr. Tsang is the beneficial owner, against the Company for the expenses incurred by Rhenfield, amounting to HK$678,000, in convening the 2 December 2008 Special General Meeting of the Company, and accrued interest.

On 10 February, 26 February and 5 March 2009, the Company issued announcements in relation to these legal proceedings. The Company strongly refutes and vigorously defends Mr. Tsang's allegations and claims and considers them to be without merit.

(ii) Formation of a wholly-owned subsidiary

The Group holds 100% equity interest in Yuan Cheng, which was incorporated on 23 October 2007 with registered and paid-in capital of HK$50,000,000. On 17 July 2008, a director of its wholly owned subsidiary, Grand Field Group Limited, initiated legal proceedings in Shenzhen Futian People's Court against which Yuan Cheng was incorporated without proper authorisation and that the Shenzhen Administration for Industry and Commerce was negligent in reviewing and approving the incorporation procedures for Yuan Cheng. On 23 October 2008, the court made a decision that the incorporation of Yuan Cheng was invalid and was to be revoked. However, subsequent to the balance sheet date, in March 2009, Yuan Cheng made an appeal to Shenzhen City Intermediate People's Court to repeal the decision and in May 2009, the court ruled in favour of Yuan Cheng.

(iii) Unpaid property management fees

On 13 October 2008, a lawsuit was filed against the Group's wholly owned subsidiary, Grand Field Property Development (Shenzhen) Co., Ltd ("Grand Field Shenzhen"), for the unpaid property management fees and accrued interest in an aggregate amount of RMB4,508,000 in relation to the entire car park lots in Telford Garden in Shenzhen in the Shenzhen Lung Gang People's Court.

31 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(iv) Loan repayment

Subsequent to the balance sheet date, on 8 January 2009, legal proceedings were initiated against Grand Field Shenzhen by 深圳市聞聯投資有限公司("深圳市聞聯") for the repayment of RMB20,000,000 in loan principal, RMB88,000 in accrued interest and RMB230,000 in penalty and legal fees incurred in relation to a loan of RMB20,000,000 granted to Grand Field Shenzhen in November 2008. A settlement has been reached between Grand Field Shenzhen and 深圳市聞聯 in March 2009, whereby the loan is scheduled to be repaid by three instalments in April, May and June 2009.

As the outcome of these proceedings is uncertain, at this stage, the directors do not have sufficient information to either ascertain the likelihood of the litigations or determine the amount of provision, if any, required to be reflected in these financial statements.

(b) Land appreciation tax on properties sold in 1999, 2000 and 2001

The directors of the Company have consulted an independent professional tax adviser and concluded that it would be unlikely for the local tax authority to re-open tax assessments in excess of 3 years and the tax assessments be final and conclusive. Consequently, the directors of the Company considered that no contingent liabilities in respect of land appreciation tax on the properties sold in the financial years 1999, 2000 and 2001 were disclosed in the current year.

31 CONTINGENT LIABILITIES *(Continued)*

(c) Guarantees issued

It represented guarantees provided in favour of the PRC custom authority in respect of imported equipment for carnival event in Shenzhen, which had been released as at 31 December 2007.

(d) Sales return of properties sold

In the previous years, the Group had provided mortgage loans to purchasers of the Group's properties, which were interest free and repayable by monthly installments in 5 years. Upon default in mortgage payments by these purchasers, the Group shall reach agreement through negotiations with the defaulted purchasers and take over the possession of the relevant properties. In the two financial years of FY2008 and FY2007, there were nil and 63 properties returned to the Group, in an aggregate sales amount of HK$ nil and HK$18,909,000 respectively. At 31 December 2008, there were 246 (2007: 254) properties under which mortgage loans were not yet repaid, with an aggregate contractual sales value of HK$58,436,000 (2007: HK$59,039,000) and the corresponding cost of sales amounting to HK$39,110,000 (2007: HK$40,099,000). In the absence of any reliable information on the probability of loan defaults and property returns, the directors of the Company are unable to estimate the amount of any specific provision against these properties sold in the previous years.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The remuneration of the Group's key management personnel is disclosed in note 7 to the financial statements.

(b) Transactions with other related parties

During the year, the Group paid consultancy fee of HK$277,000 (2007: HK$449,000) to Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy who were the former directors of the company.

During the year, the Group paid rent of HK$976,000 (2007: HK$nil) to 朱哲, who is the son of the Company's Chairman.

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other related parties *(Continued)*

During the year, fund transfers took place between Yuan Cheng and Shenzhen Hua Ke Nano-Technology Development Company Limited ("Hua Ke"), in which the major shareholder of Hua Ke, Mr. Hui Zhihua, is a director (who was appointed on 28 April 2008) of Grand Field Group Holdings (BVI) Ltd, Grand Field Group Investments (BVI) Ltd, Grand Field Group Ltd and Kwan Cheung Holdings Ltd, all of which are the wholly-owned subsidiaries of the Group. Details of the fund transfers are disclosed in the Company's announcement dated 10 October 2008.

Balances with related parties are disclosed in the balance sheet and in note 24.

33 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements

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

(a) Operating lease commitments – company as lessor

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

33 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Judgements *(Continued)*

(b) Classification between investment properties and owner-occupied properties

The group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the group considers whether a property generates cash flows largely independently of the other assets held by the company.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(c) Classification between investment properties and properties held for sales

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by the management on determining whether a property is designated as an investment property or a property held for sale. The group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as assets under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each balance sheet date.

33 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Estimation uncertainty

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

(a) Income taxes

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

(b) Land appreciation taxes

The group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The group recognised these land appreciation taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine that amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

33 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Estimation uncertainty *(Continued)*

(d) Fair value of investment properties

Investment properties are revalued at the balance sheet date on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

(e) Depreciation

Depreciation of certain operating assets constitutes a substantial operating cost for the group. The costs of property, plant and equipment are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The group periodically reviews changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimates remaining useful lives and depreciation rates.

Actual economic lives may differ from estimates useful live. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

34 COMPARATIVE FIGURES

(a) Within the comparative figures stated in the financial statements, land appreciation tax expense of HK$324,000 previously included in distribution costs for the year ended 31 December 2007 was reclassified as an income tax expense in the income statement and provision for land appreciation tax of HK$3,004,000 previously included in other payables as at 31 December 2007 was reclassified as current income tax liabilities in the balance sheet.

The above reclassification is made so as to conform to current year's presentation as the company's directors are of the view that it would be more appropriate to reflect the land appreciation tax as an income tax expense in the current year and the outstanding provision as income tax liabilities, after a reassessment of the nature of land appreciation tax and a study of the market practices.

(b) Certain comparative figures have been reclassified in order to conform with the current year's presentation.

(Expressed in Hong Kong dollars)

35 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the financial statements, there were no other significant events that took place subsequent to 31 December 2008.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 8	Operating segments [2]
HK(IFRC)-Int 13	Customer loyalty programmes [4]
HK(IFRC)-Int 15	Agreements for the construction of real estate [2]
HK(IFRC)-Int 16	Hedges of a net investment in a foreign operation [5]
HK(IFRC)-Int 17	Distribution of non-cash assets to owners [3]
HK(IFRC)-Int 18	Transfers of assets from customers [3]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

The Group is assessing the impact of these amendments and new standards and has so far concluded that they are not in a position to state whether their adoption will have a significant impact on the Group's results of operations and financial position.

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 28 September 2009.

Five Years Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2008.

CONSOLIDATED RESULTS

	Year ended 31 December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**5,133**	(6,387)	10,289	10,507	144,737
(Loss)/profit before income tax	**(95,102)**	(41,988)	(24,340)	3,103	47,707
Income tax credit/(expense)	**3,447**	(6,255)	141	(68)	(7,089)
(Loss)/profit for the year	**(91,655)**	(6,255)	(24,199)	3,035	40,618

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**408,887**	439,098	379,859	375,851	411,956
Total liabilities	**(69,947)**	(45,547)	(65,591)	(53,810)	(79,702)
Net assets	**338,940**	393,551	314,268	322,041	332,254

Note: Land appreciation tax expense of HK$324,000 previously included in distribution costs for the year ended 31 December 2007 was reclassified as an income tax expense in the consolidated income statement. However, no reclassifications of land appreciation tax for FY2006, 2005 and 2004 are made as no such information can be provided.

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR DEVELOPMENT				
A parcel of land in Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Bai Guo Dong Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Cao Bu Xi Huan Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential and commercial	50%	Planning stage	N/A

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Rado Garden Phase II Zhenxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Riviera Garden Phase II Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Tao Ran Ju Xu Jing Zhu Hi-Technology Park Bin Huan Di Road Nan Shan District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A
A unit in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A
Various units in Riviera Garden Phase I Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Rado Garden Phase II Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units and car parking spaces in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A