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ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the “Directors”) of Zhong Hua International Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2008 (the “Annual Results”), together with the comparative figures for the corresponding year of 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE	2	32,558	10,070
Other income		3,153	3,098
Changes in fair value of investment properties		(409,266)	–
Changes in fair value of the derivative component of a convertible bond		(30,762)	(1,992)
Gain on disposal of interests in subsidiaries		–	18,057
Administrative expenses		(16,257)	(13,376)
Other operating expenses, net		(2,538)	(3,128)
Finance costs	3	(33,764)	(2,918)
PROFIT/(LOSS) BEFORE TAX	4	(456,876)	9,811
Tax	5	97,249	10,285
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(359,627)	20,096
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	6	–	(7,272)
PROFIT/(LOSS) FOR THE YEAR		(359,627)	12,824

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(144,763)	12,824
Minority interests		(214,864)	–
		<u>(359,627)</u>	<u>12,824</u>

**EARNINGS/(LOSS) PER SHARE
ATTRIBUTABLE TO ORDINARY
EQUITY HOLDERS OF THE COMPANY** 8

Basic			
– For profit/(loss) for the year		<u>HK\$(1.19)</u>	<u>HK\$0.18</u>
– For profit/(loss) for the year from continuing operations		<u>HK\$(1.19)</u>	<u>HK\$0.28</u>
Diluted			
– For profit/(loss) for the year		<u>N/A</u>	<u>HK\$0.17</u>
– For profit/(loss) for the year from continuing operations		<u>N/A</u>	<u>HK\$0.27</u>

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,077	9,795
Investment properties		2,836,156	3,088,413
Intangible assets		–	–
Interests in jointly-controlled entities		–	–
Pledged deposits		14	1,676
Total non-current assets		<u>2,845,247</u>	<u>3,099,884</u>
CURRENT ASSETS			
Properties held for sales		37,062	35,407
Trade receivables	9	34,219	32,434
Prepayments, deposits and other receivables		61,075	22,713
Cash and cash equivalents		36,216	100,527
Total current assets		<u>168,572</u>	<u>191,081</u>

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	10	(26,150)	(25,015)
Tax payable		(25,009)	(19,161)
Other payables and accruals		(79,168)	(46,341)
Due to directors		–	(11,403)
Convertible bond		(78,149)	–
Interest-bearing bank and other borrowings		(14,926)	(10,910)
		<u>(223,402)</u>	<u>(112,830)</u>
Total current liabilities		(223,402)	(112,830)
NET CURRENT ASSETS/(LIABILITIES)			
		<u>(54,830)</u>	<u>78,251</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,790,417	3,178,135
NON-CURRENT LIABILITIES			
Loan from a director		(71,658)	(68,459)
Due to a director		(85,819)	(63,542)
Long term other payables		(105,204)	(106,956)
Convertible bond		–	(41,492)
Promissory note		–	(100,000)
Interest-bearing bank and other borrowings		(48,861)	(24,318)
Deferred tax liabilities		(573,326)	(646,545)
		<u>(884,868)</u>	<u>(1,051,312)</u>
Total non-current liabilities		(884,868)	(1,051,312)
Net assets		<u><u>1,905,549</u></u>	<u><u>2,126,823</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		12,640	232,808
Reserves		590,629	444,650
		<u>603,269</u>	<u>677,458</u>
Minority interests		1,302,280	1,449,365
		<u>1,905,549</u>	<u>2,126,823</u>
Total equity		<u><u>1,905,549</u></u>	<u><u>2,126,823</u></u>

Notes:

1.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and the derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and revised amendments to HKFRSs for the first time for the current year’s financial statements:

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

The adoption of the above interpretations and amendments has had no significant financial effect on the financial statements.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, for the current year’s financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combination</i> ³
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improvement Disclosures about Financial Instruments</i> ¹
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ³
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹

HKAS 39 Amendment	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ³
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> ²
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ⁴
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁵
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ³
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ³

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

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods ending on or after 30 June 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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross rental income, after elimination of all significant intra-group transactions less any applicable turnover taxes.

The following table presents revenue and results information of the Group's business segments.

	Continuing operations						Discontinued operation		Consolidated	
	Property investment		Corporate and others		Total		Leasing of equipment			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	32,558	10,070	-	-	32,558	10,070	-	3,988	32,558	14,058
Other revenue and gains	-	-	-	18,057	-	18,057	-	-	-	18,057
Total	<u>32,558</u>	<u>10,070</u>	<u>-</u>	<u>18,057</u>	<u>32,558</u>	<u>28,127</u>	<u>-</u>	<u>3,988</u>	<u>32,558</u>	<u>32,115</u>
Segment results	<u>(382,201)</u>	<u>5,146</u>	<u>(44,064)</u>	<u>4,485</u>	<u>(426,265)</u>	<u>9,631</u>	<u>-</u>	<u>(8,937)</u>	<u>(426,265)</u>	<u>694</u>
Other income					3,153	3,098	-	1,665	3,153	4,763
Finance costs					(33,764)	(2,918)	-	-	(33,764)	(2,918)
Profit/(loss) before tax					(456,876)	9,811	-	(7,272)	(456,876)	2,539
Tax					97,249	10,285	-	-	97,249	10,285
Profit/(loss) for the year					<u>(359,627)</u>	<u>20,096</u>	<u>-</u>	<u>(7,272)</u>	<u>(359,627)</u>	<u>12,824</u>

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the Mainland of the People's Republic of China (the "Mainland China").

3. FINANCE COSTS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans	5,075	2,362
Finance lease	120	155
Convertible bond	5,895	237
Promissory note	1,179	164
Loan from a director	5,604	–
Deferred completion of the second and third tranches in relation to an acquisition	15,751	–
Other loan	140	–
	<u>33,764</u>	<u>2,918</u>
Attributable to continuing operations	33,764	2,918
Attributable to discontinued operation	–	–
	<u>33,764</u>	<u>2,918</u>

4. PROFIT/(LOSS) BEFORE TAX

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of services provided	–	4,313
Depreciation	1,060	3,344
Amortisation of intangible assets	–	4,313
Bank interest income	(1,612)	(3,602)
Gross and net rental income on investment properties	(32,558)	(10,070)
Changes in fair value of investment properties	409,266	–
Change in fair value of the derivative component of a convertible bond	30,762	1,992
	<u>30,762</u>	<u>1,992</u>

The disclosures presented in this note for the year ended 31 December 2007 include those amounts charged/credited in respect of the discontinued operation.

5. TAX

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Current – elsewhere	5,068	1,986
Deferred	(102,317)	(12,271)
	<hr/>	<hr/>
Total tax credit for the year	(97,249)	(10,285)
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year.

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, interpretations and practices in respect thereof. The subsidiaries established in Mainland China are subject to income taxes at tax rate of 25% (2007: 33%) after the effective date of the Corporate Income Tax Law of the People's Republic of China on 1 January 2008.

6. DISCONTINUED OPERATION

During the prior year, the following discontinued operation was noted:

In 2007, the Group decided to cease the operation (the "Cessation") of 廣州遠朋天成電子科技有限公司 ("廣州遠朋") (formerly known as "Guangzhou Proland Electrical Technology Limited"). 廣州遠朋 principally engaged in leasing of equipment in Mainland China. Pursuant to the agreement entered into between 廣州遠朋 and 廣州市飛躍信息技術開發有限公司 ("Fei Yue") on 28 December 2007, 廣州遠朋 has ceased the leasing of POS equipment to Fei Yue since then.

The results for the discontinued operation for the year ended 31 December 2007 are as follows:

	2007 HK\$'000
REVENUE	3,988
Cost of sales	(4,313)
Gross loss	(325)
Other income	1,665
Administrative expenses	(2,346)
Other operating expenses, net	(6,266)
Finance costs	—
Loss before tax from discontinued operation	(7,272)
Tax	—
Loss after tax from discontinued operation	<u>(7,272)</u>
Attributable to:	
Equity holders of the Company	(7,272)
Minority interest	—
	<u>(7,272)</u>

The net cash flows of a discontinued operation are as follows:

	2007 HK\$'000
Operating activities	(592)
Investing activities	635
Financing activities	—
Net cash inflow	<u>43</u>
Loss per share:	2007
Basic, from the discontinued operation	HK0.10
Diluted, from the discontinued operation	<u>N/A</u>

Diluted loss per share from the discontinued operation for the year ended 31 December 2007 has not been disclosed as the convertible bond and share options outstanding during that year had an anti-dilutive effect on the basic loss per share.

The calculation of basic loss per share from the discontinued operation is based on:

	2007
Loss attributable to equity holders of the Company from the discontinued operation	HK\$7,272,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>70,655,088</u>

The above weighted average number of ordinary shares and basic loss per share have been adjusted to reflect the capital reorganisation becoming effective on 11 December 2008.

7. FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$144,763,000 (2007: profit of HK\$12,824,000), and the weighted average number of 121,240,196 (2007: 70,655,088 (adjusted to reflect the effect of the capital reorganisation)) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2008 has not been disclosed as the convertible bond and share options outstanding during the year had anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$12,824,000 adjusted to reflect the interest on the convertible bond of HK\$237,000, and the weighted average number of ordinary shares used in the calculation is as follows:

	2007
Weighted average number of shares used in the basic earnings per share calculation	70,655,088
Weighted average number of shares assumed to have been issued on the conversion of convertible bond	1,232,876
Weighted average number of shares assumed to have been issued under the share option scheme for nil consideration	<u>1,012,243</u>
Weighted average number of shares used in the diluted earnings per share calculation	<u><u>72,900,207</u></u>

The calculation of basic loss (2007: earnings) for the year from continuing operations per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$144,763,000 (2007: profit of HK\$20,096,000), and the weighted average number of 121,240,196 (2007: 70,655,088 (adjusted to reflect the effect of the capital reorganisation) ordinary shares in issue during the year.

No diluted loss per share for the year ended 31 December 2008 from continuing operations has been disclosed as the convertible bond and share options outstanding during the year had anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 December 2007 from continuing operations is based on the profit from continuing operations of HK\$20,096,000, adjusted to reflect the interest on the convertible bond of HK\$237,000, and the weighted average number of 72,900,207 (adjusted to reflect the effect of the capital reorganisation) ordinary shares in issue during the year (see above).

9. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	2008		2007	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 6 months	6,720	20	7,284	22
More than 6 months but within 1 year	4,850	14	3,512	11
More than 1 year but within 2 years	–	–	4,511	14
More than 2 years	22,649	66	17,127	53
	34,219	100	32,434	100
Portion classified as current assets	(34,219)		(32,434)	
Non-current assets	–		–	

The Group generally grants a credit term of 3 to 12 months to its customers.

The age of the Group's trade receivables are based on the date of recognition of turnover and the due date of instalments as stipulated in the sale contracts.

HK\$22,649,000 (2007: HK\$21,638,000) included in the total trade receivables are attributable to properties sold in prior years.

10. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	2008		2007	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 6 months	98	1	–	–
More than 6 months but within 1 year	–	–	8	1
More than 1 year but within 2 years	–	–	2,305	8
More than 2 years but within 3 years	2,412	9	–	–
Over 3 years	23,640	90	22,702	91
	26,150	100	25,015	100

The age of the Group's trade payables are based on the date of the goods received or services rendered.

FINANCIAL REVIEW

The Group was principally engaged in property investment and development in Mainland China during the year. The Group recorded a turnover of HK\$32,558,000 for the year ended 31 December 2008 (2007: HK\$14,058,000), representing an increase of approximately 132% compared with the turnover for the prior year. The Group's turnover during the year comprised of rental income generated from the commercial properties situated in Chongqing and Guangzhou. Over 60% of the rental income was received from leases of the property interest situated in Guangzhou which the Group acquired a 25% interest in December 2007 while the remaining 75% interest to be acquired by the Group not later than 30 June 2009.

Net loss attributable to ordinary equity holders of the Company for the year was HK\$144,763,000 (2007: net profit of HK\$12,824,000). If taking into account of the minority interest, the Group's loss for the year was HK\$359,627,000 (2007: net profit of HK\$12,824,000). The loss of the Group for the year was primarily attributable to (i) the revaluation deficit of HK\$409,266,000 for its property interests; (ii) the deferred interest of HK\$15,751,000 incurred in relation to the deferred completion of the 50% interest in a property interest situated in Guangzhou; (iii) changes in fair value of the derivative component of and imputed interest payable for zero coupon convertible bond in an aggregate amount of HK\$36,657,000; and (iv) a gain of HK\$18,057,000 on disposal of interest in subsidiaries generated during the prior year. Other than the increases of the aforesaid items, the Group's administrative and other operating expenses increased moderately during the year.

The total equity value of the Group for the year was HK\$1,905,549,000 (2007: HK\$2,126,823,000) while the total equity attributable to equity holders of the Company for the year was HK\$603,269,000 (2007: HK\$677,458,000). The Group's gearing ratio as at 31 December 2008 was approximately 0.07 (2007: 0.07) which

represented a relatively low level. The gearing ratio for the year is calculated based on the Group's interest-bearing bank and other borrowings of HK\$213,594,000 (2007: HK\$245,179,000) over total assets of HK\$3,013,819,000 (2007: HK\$3,290,965,000) as at 31 December 2008.

The Group generally financed its operations with internally generated cash flows, banking facilities and equity financing during the year. The Group obtained a new banking facility in an amount of RMB 30,000,000 (approximately HK\$32,700,000) in early 2008. In June 2008, the Company entered into a placing agreement with Dao Heng Securities Limited in respect of the placing of 100,000,000 new shares (equivalent to 10,000,000 shares adjusted to reflect the effect of the capital reorganisation becoming effective on 11 December 2008) to independent investors at an issue price of HK\$0.23 per share (equivalent to HK\$2.30 per share adjusted to reflect the effect of the capital reorganisation). The placing was completed in July 2008 and raised net proceeds of HK\$22,700,000 which were used as general working capital purposes. In December 2008, the Company entered into a subscription agreement with an independent subscriber for issue and subscription of 25,000,000 new shares at an issue price of HK\$0.60 per share. The subscription was completed in January 2009 and raised net proceeds of HK\$14,800,000 which were used as general working capital purposes.

Cash and bank balances of the Group as at 31 December 2008 amounted to HK\$36,216,000 (2007: HK\$100,527,000). Outstanding borrowings of the Group as at 31 December 2008 amounted to HK\$213,594,000 (2007: HK\$245,179,000), among of them bank and other borrowings in an aggregate amount of HK\$14,926,000 and convertible bond with a principal amount of HK\$84,000,000 will fall due on or before 31 December 2009. On 16 April 2009, the holder of the convertible bond granted consent so that the Company might elect to defer the repayment of the then outstanding principal amount of the convertible bond in full to a later date not later than 30 June 2010.

BUSINESS REVIEW

The Group is principally engaged in property investment and development in Mainland China and has two property interests, one in Chongqing and the other in Guangzhou.

Guang Yu Square, a 16-storey plus a basement commercial building, is situated at the most prime commercial area at Chaotianmen, Yuzhong District, Chongqing. Chaotianmen is one of the most popular clothing wholesale points in Chongqing while Guang Yu Square is the most popular clothing and footwear wholesale centre in the region. The Group has 100% interest in 7 floors of and 60% interest in the basement of Guang Yu Square with a total gross floor area of approximately 26,500 sq. m. and all of them are fully let. The Group is contemplating plan for repurchases of two additional floors which were sold to individual occupiers a couple of years ago. Looking ahead, the Group aims to enhance the profile of the Guang Yu Square within the region and to increase its rental yield.

The property interest in Guangzhou is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou with a total site area of approximately 22,800 sq.m.. It is planned that the development site will be developed into a 22-storey plus 3-level of basement commercial building complex with wholesale and exhibition facilities having a total gross floor area of approximately 234,000 sq.m. and with an objective to be the landmark of the Yuexiu District when it is completed in 2013. Pending for re-developing into a commercial complex, the development site is presently comprised of a 2-storey non-permanent commercial podium under the trade name of Metropolitan Shoes City (大都市鞋城) and a car park for loading and offloading inventory. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium is the most popular footwear wholesale centre in Guangzhou and is almost fully let.

The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and, to the west of Xieen Road (謝恩里), Yuexiu District and is wholly owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) (“Guangzhou Zheng Da”) which in turn Zheng Da Real Estate Development Co. Ltd. (“Zheng Da”) (a Hong Kong incorporated private company controlled by the Company’s largest single shareholder and its associates) has 100% interest. The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning imposed by the Yuexiu Municipal Government in the past years. The Group acquired a 25% indirect interest in Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2009 at an aggregate consideration of RMB1,361,100,000 (approximately HK\$1,546,705,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company’s circular dated 26 November 2007 and the Company’s announcement dated 31 March 2009 (primarily refers to the deferment of the long stop date for completion of the acquisition of the remaining 75% interest in Zheng Da from 31 March 2009 to 30 June 2009). The Group is underway to explore revised terms for settlement of the consideration for, and completion timetable in relation to the uncompleted transaction. Further announcement in accordance with the Listing Rules’ requirements will be made when concrete decision is made by the Company.

Guangzhou Zheng Da was set up as a Sino-foreign joint venture by Zheng Da as the foreign partner and a third party as the Sino partner in Guangzhou in December 1993. Since its formation the Sino partner has not provided any capital or management support to Guangzhou Zheng Da to a material extent. Pursuant to the terms of the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) (the “Enforcement Rules”) executed in 1994, the Sino partner agreed to surrender its entire interest in Guangzhou Zheng Da except those benefits specified in the Enforcement Rules. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of Guangzhou Zheng Da is from 31 December 1993 to 31 December 2008 and

can be further extended at the request of either foreign or Sino partner upon maturity. In December 2008, both Guangzhou Zheng Da and Zheng Da agreed to extend the joint venture period by 15 years with effect from 1 January 2009 but the Sino partner of Guangzhou Zheng Da withheld its consent to such extension. As such, Guangzhou Zheng Da served a writ against its Sino partner at the Yuexiu District People's Court (越秀區人民法院) in late December 2008 demanding for granting consent to an extension of operating period of the subject joint venture and disqualification of the Sino partnership of the subject joint venture. Two hearings have been made and a third hearing is expected to take place in May 2009. Having consulted with its legal counsel in Mainland China, Guangzhou Zheng Da is of the view that its requests are with solid legal ground and therefore is optimistic to obtaining a favourable judgement. In this connection, both Guangzhou Zheng Da and the Group are of the view that the financial position, cashflow and business operations of Guangzhou Zheng Da and of the Group as a whole are unlikely be affected by the legal proceedings to a material adverse extent.

The Group remains optimistic on the development potential and prospects of the property market in Mainland China in the medium to long term spectrum. The Company intends to capture the opportunity to increase its stake in the property interest in Guangzhou which the Group already has 25% interest.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Friday, 14 August 2009 to Monday, 17 August 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Monday, 17 August 2009, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 13 August 2009.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except for the following deviations:

Code Provision A.4.2

The second part of Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the bye-laws of the Company, the Chairman and the Managing Director of the Company shall not be subject to retirement by rotation. However, the Chairman and the Managing Director of the Company had voluntarily retired by rotation every three years and offered themselves for re-election at the Company's general meetings in the past years. The Directors consider that this practice is in line with the spirit of the Code' practice.

Code Provision E.1.2

Code E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. The Chairman was unable to attend the annual general meeting held on 28 August 2008 due to health reasons.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by its directors. Having made specific enquiry to the Directors, the Company confirmed that the Directors had complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The Annual Results had been reviewed by the Audit Committee of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 December 2008 containing all information required by Appendix 16 of the Listing Rules will be published on the web site of the Stock Exchange in due course.

By Order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 22 April 2009

As at the date of this announcement, the board of directors of the Company comprises: (i) Mr. Ho Kam Hung as executive director; (ii) Mr. Young Kwok Sui as non-executive director; and (iii) Messrs. Lawrence K. Tam, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai as independent non-executive directors.

* *For identification purposes only*