



與時創建
Building with the times

Annual Report 2008 年報

Directory

Directors

Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Non-executive Directors

Mr. Lam Sing Tai
Mr. Tse Man Bun

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

Audit Committee

Mr. Leung Hok Lim (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

Remuneration Committee

Mr. Chung Pui Lam (*Chairman*)
Mr. Lu Wing Chi
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Authorised Representatives

Mr. Lambert Lu
Mr. Kwok Siu Man, Seaman

Company Secretary

Mr. Kwok Siu Man, Seaman

Legal Advisers

Stephenson Harwood & Lo
Conyers Dill & Pearman

Independent Auditor

Deloitte Touche Tohmatsu

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank Limited

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place of Business

26/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2828 6363
Fax: (852) 2598 6861
E-mail: info@seagroup.com.hk

Branch Registrars in Hong Kong

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2980 1768

Listing

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

Stock Code and Board Lot

251/2,000

The shares of Asian Growth Properties Limited, a subsidiary of the Company, are admitted for trading on the AIM Market of London Stock Exchange plc.

Website

www.seagroup.com.hk

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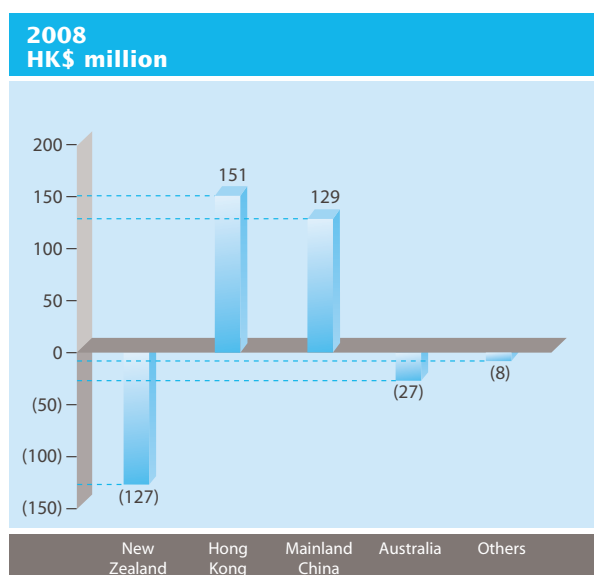
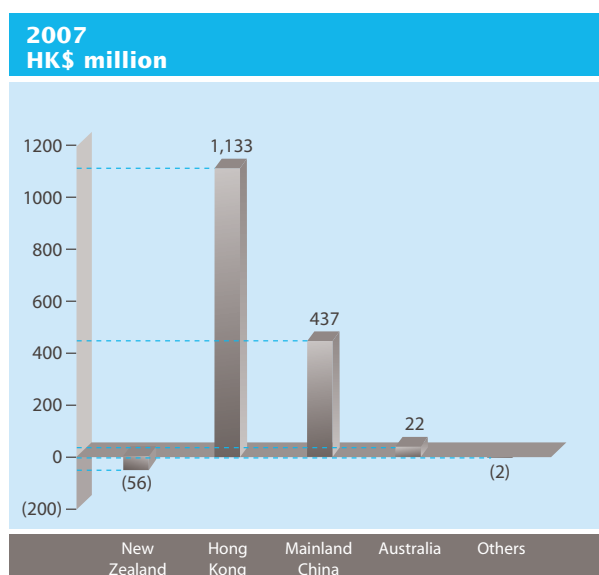
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Financial Highlights

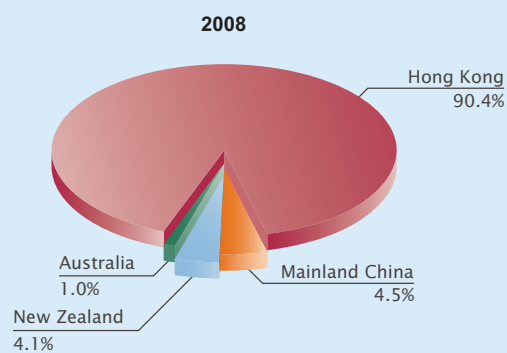
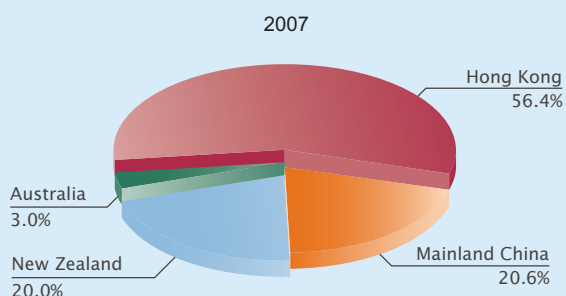
Five-Year Financial Summary

RESULTS					
	For the year ended 31 December				
	2004 HK\$'m	2005 HK\$'m	2006 HK\$'m	2007 HK\$'m	2008 HK\$'m
Turnover	474.7	940.2	1,060.2	2,198.8	1,581.0
Profit for the year before minority interests	143.6	1,149.1	926.2	1,112.9	112.0
Minority interests	(23.1)	(76.8)	(134.9)	(147.4)	(48.7)
Profit for the year attributable to the Company's shareholders	120.5	1,072.3	791.3	965.5	63.3
ASSETS AND LIABILITIES					
	At 31 December				
	2004 HK\$'m	2005 HK\$'m	2006 HK\$'m	2007 HK\$'m	2008 HK\$'m
Total assets	7,747.7	8,701.1	9,898.0	11,000.1	10,674.9
Total liabilities	(3,854.2)	(3,586.0)	(4,171.8)	(4,541.9)	(4,115.0)
Minority interests	(821.4)	(760.7)	(533.5)	(272.4)	(236.0)
Equity attributable to the Company's shareholders	3,072.1	4,354.4	5,192.7	6,185.8	6,323.9
PERFORMANCE DATA (PER SHARE)					
	2004 HK\$	2005 HK\$	2006 HK\$	2007 HK\$	2008 HK\$
Earnings for profit attributable to the Company's shareholders	0.24	2.05	1.39	1.62	0.10
Earnings excluding changes in fair value of investment properties net of deferred tax	N/A	0.12	0.40	0.46	0.52
Dividends declared	0.10	0.10	0.12	0.14	0.10
Net asset value attributable to the Company's shareholders	6.01	7.94	8.91	10.26	9.63

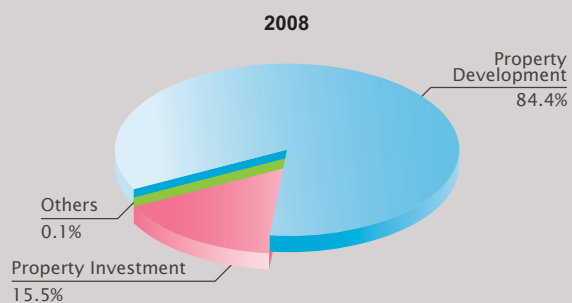
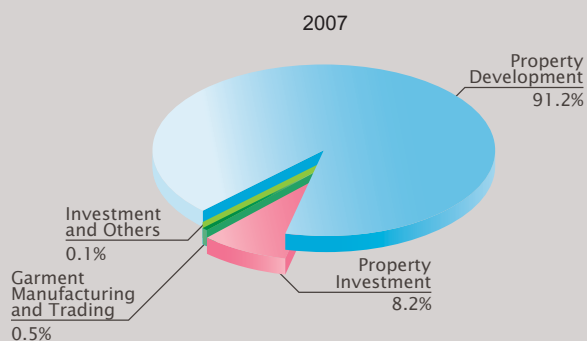
Segment Profit/Loss by Geographical Segments



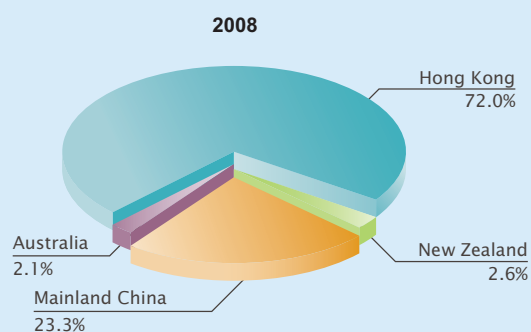
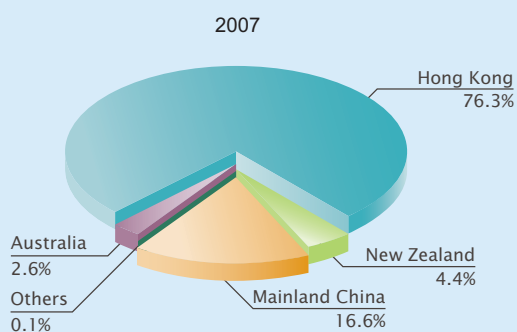
Revenue by Geographical Segments



Sales Revenue by Business Segments



Total Segment Assets by Geographical Segments



Property Portfolio

As at 31 December 2008

Particulars of Investment Properties:

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Dah Sing Financial Centre	108 Gloucester Road, Wanchai	30th June, 2047	Commercial/Office	37,171 and 164 car-parking spaces	97.2
28/F., 9 Queen's Road Central	28/F., 9 Queen's Road Central, Central	15th November, 2854/ 20th January, 2856	Office	1,279	97.2
Shop No.22, Excelsior Plaza	Shop No. 22, Ground Floor, Excelsior Plaza, Chee On Building, No.24 East Point Road, Causeway Bay	24th June, 2842/ 23rd December, 2864	Retail	39	97.2
The Morrison	G/F., 1/F. and 2/F., 28 Yat Sin Street, Wanchai	11th February, 2050	Commercial/Retail	1,651	97.2
MAINLAND CHINA					
Plaza Central	8 Shunchengda Street, Yanshikou, Chengdu, Sichuan Province	6th October, 2063	Commercial/Office	91,455 (including car-parking floors)	97.2
Office Tower, Westmin Plaza Phase II	50 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	23rd May, 2050	Office	16,112	97.2
Commercial podium in Zone B and 50 car-parking spaces, New Century Plaza	No. 6 Xi Yu Long Street, Qingyang District, Chengdu, Sichuan Province	18th May, 2063	Commercial	19,261 (including car-parking spaces)	97.2
NEW ZEALAND					
Clearwater Clubhouse	Harewood, Christchurch	21st March, 2101	Commercial	644	34.1
Clearwater Unit 4	Harewood, Christchurch	Freehold	Commercial	558	34.1
Clearwater Unit 5	Harewood, Christchurch	Freehold	Commercial	212	34.1

Particulars of Properties Held for Sale:

Name	Location	Stage of Completion	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Royal Green	18 Ching Hiu Road, Sheung Shui, New Territories	Completed	Residential	260 and 5 car-parking spaces	53.4
The Forest Hills	99 Po Kong Village Road, Diamond Hill, Kowloon	Completed	Residential/Commercial	10,020 and 49 private car-parking spaces and 4 motorcycle spaces	97.2
The Morrison	28 Yat Sin Street, Wanchai	Completed	Residential	364	97.2
MAINLAND CHINA					
Westmin Plaza Phase II	48-58 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	Completed	Residential/Commercial	50,643 (including car-parking floors)	97.2
NEW ZEALAND					
Man Street Carpark	12-26 Man Street, Queenstown	Completed	Carpark	534 car-parking spaces	100
Kaikainui Block	Harewood, Christchurch	Completed	Residential	19,010	34.1

Particulars of Development Properties/Properties under Development:

Name of Project	Location	Stage of Completion	Estimated Completion Date	Usage	Approximate Site Area (square metres)/ Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG						
Crowne Plaza Hong Kong Causeway Bay	8 Leighton Road, Causeway Bay	Superstructure work in progress	1st half of 2009	Hotel	996/14,945	97.2
Sha Tin Town Lot No. 75 and the Remaining Portion of Lot No. 744	1-11 Au Pui Wan Street, Fo Tan, Sha Tin, New Territories	Planning stage	Beyond 2011	Residential/ Commercial	20,092/84,306	97.2
NEW ZEALAND						
Clearwater Resort	Harewood, Christchurch	Planning stage	Beyond 2009	Commercial	15,851 [#]	34.1
Clearwater Resort	Harewood, Christchurch	Planning stage	Beyond 2009	Residential	290,780 [#]	34.1
Timperley Block	Harewood, Christchurch	Planning stage	Beyond 2009	Residential	356,505 [#]	55.0
Waterside Business Centre	Favona, Auckland	Planning stage	Beyond 2009	Commercial	62,952 [#]	100.0

Site area

Particulars of Property for Development:

Name of Project	Location	Stage of Completion	Site Area (square metres)	Group's Interest (%)
MAINLAND CHINA				
Huangshan Project	Qiankou Town, Huizhou District, Huangshan City, Anhui Province	Planning stage	333,500	88.4

Chairman's Statement



I present below the audited 2008 consolidated results of S E A Holdings Limited (the "Company") to the shareholders.

Financial Summary

Turnover for the year ended 31st December, 2008 amounted to HK\$1,581.0 million (2007: HK\$2,198.8 million). The turnover was principally attributable to the recognition of the sales of residential units in Royal Green, The Forest Hills and The Morrison in Hong Kong and the rental contribution from Dah Sing Financial Centre, Hong Kong and Plaza Central, Chengdu.

Profit attributable to the Company's shareholders for year 2008 amounted to HK\$63.3 million (2007: HK\$965.5 million). The decrease in profit was primarily attributable to a revaluation deficit on investment properties net of deferred taxation.

As at 31st December, 2008, the Group's equity attributable to the Company's shareholders amounted to HK\$6,323.9 million (2007: HK\$6,185.8 million). The net asset value per share attributable to the Company's shareholders as at 31st December, 2008 was HK\$9.63 (2007: HK\$10.26) and taking into consideration the potential dilutive effect of outstanding share options, the net asset value per share attributable to the Company's shareholders would become HK\$9.07 (2007: HK\$9.37).

Dividend

The Board has resolved to recommend for shareholders' approval at the forthcoming 2009 Annual General Meeting the payment of a final dividend of HK5 cents per share for the year ended 31st December, 2008 (2007: HK9 cents) on Thursday, 18th June, 2009 to the shareholders of the Company whose names

appear on the Register of Members at the close of business on Wednesday, 10th June, 2009. Together with the interim dividend of HK5 cents per share already paid (2007: HK5 cents), the total dividend for the year will be HK10 cents per share (2007: HK14 cents). The proposed final dividend amounts to about HK\$32.1 million at the date of this Statement (2007: HK\$58.9 million). Such total amount will be increased by a maximum of HK\$1.9 million if additional ordinary shares are issued upon the exercise by the respective holders of all the outstanding share options with no vesting period before the commencement of the fixed period of closure of the Register of Members commencing on 4th June, 2009.

Business Review

During 2008, the Group continued the development of various property projects and the marketing and leasing activities in Hong Kong and mainland China. In Hong Kong, most of the residential units of The Forest Hills, The Morrison and the Royal Green projects have been sold. The Group's rental income from Dah Sing Financial Centre has been satisfactory and the entire commercial podium of The Morrison has been leased despite the current difficult economic situation. Superstructure construction work of the Crowne Plaza Hong Kong Causeway Bay has recently been completed. In mainland China, all the remaining residential units of the Westmin Plaza Phase II project have been sold in February 2009 and the leasing activities for the remaining office space in Plaza Central and office and commercial spaces of Westmin Plaza Phase II are continuing. While the office tower of Westmin Plaza Phase II started generating rental income in the second quarter of 2008, Plaza Central continues to contribute increasing rental income to the Group.

Further, the Group made several acquisitions and investments in mainland China during the year. It acquired a commercial podium and certain car-parking spaces of New Century Plaza in Chengdu for lease and a majority interest in a project for

development of tourist leisure facilities at the Huangshan area and invested in two tourism/land projects in Nanjing. In addition, the Group formed a joint venture for a residential project in mid March this year.

In New Zealand, the Group continued to sell the remaining properties there during the year. However, the intended disposal was affected by the severe downturn of the markets in the region due to the global financial crisis.

Property Investment and Development

The Company through its 97.2% owned subsidiary Asian Growth Properties Limited ("AGP"), whose shares are listed on the AIM Market of London Stock Exchange plc., holds the following property development and investment projects in Hong Kong and mainland China:

Hong Kong

1. *Dah Sing Financial Centre, Gloucester Road, Wanchai*

The 39-storey commercial building includes offices and shops (total gross floor area of about 37,171 square metres) with ancillary car-parking facilities for 137 covered and 27 open car-parking spaces. Gross rental income generated for the year was HK\$139.4 million (2007: HK\$110.7 million). The occupancy rate increased from 90.7% as at 31st December, 2007 to 95.3% at 31st December, 2008 with the average monthly rent increasing from HK\$32.5 per square foot to HK\$38.2 per square foot owing to lease renewals from existing tenants and new lettings for office space.

The asset management team of this Centre has recently been presented the Best Commercial Building Award 2008 by the Property Management Division Hong Kong of Jones Lang LaSalle in recognition of its outstanding performance.

Chairman's Statement

2. *Royal Green, Sheung Shui*

The Group has a 53.4% interest in this private residential development comprising 922 residential units contained in three 40-storey residential towers with ancillary recreational and car-parking facilities. This development has been awarded the "Top Ten Flat Layouts 2006" by The Hong Kong Institute of Surveyors ("HKIS"). Turnover for the year, representing completion of the sales of 75 residential units and 19 car-parking spaces, was HK\$234.9 million generating a net profit of HK\$110.2 million after taking into account the related expenses. During the year, a total of 6 residential units and 16 car-parking spaces were sold. The marketing campaign for the only remaining 2 residential duplex units, one of which is well-furnished and 5 car-parking spaces reserved for the purchasers of these units is continuing.

3. *The Morrison, Wanchai*

With a total gross floor area of approximately 5,837 square metres, the property is a 30-storey residential and commercial composite

building, comprising 104 residential units above a club-house floor and a 3-storey commercial podium. It has won the Best Interior Design Award of the CNBC Asia Pacific Property Awards 2008 organised by the International Homes Magazine and the Best Environmental Design Award 2008 organised by HKIS. Turnover for the year, representing completion of the sale of 48 residential units, was HK\$234.5 million generating a net profit of HK\$64.5 million after taking into account the expenses directly related to the project.

During the year, a total of 2 residential units were sold. Marketing and leasing for the remaining 6 units are continuing. So far, 2 of the remaining 6 residential units have been leased for a term of 2 years. In addition, the entire commercial podium of The Morrison has been leased at a satisfactory rental yield to Volkswagen, an international car manufacturer as its flagship showroom in Hong Kong for a term of 6 years.



Dah Sing Financial Centre



Royal Green

4. *The Forest Hills, Diamond Hill*

The property has been developed into a 48-storey residential and commercial composite building, with a total gross floor area of approximately 18,825 square metres, comprising 304 residential units above a 7-level retail podium, a clubhouse and car parks. Construction works for the development was completed in April 2008 and delivery of the residential units to the purchasers commenced in May 2008.

During 2008, 77 residential units and 27 private car-parking spaces were sold. Turnover for the year, representing completion of the sale of 206 residential units and 27 car-parking spaces, was HK\$805.0 million generating a net profit of HK\$181.1 million after taking into account the expenses directly related to the project. Subsequent to 31st December, 2008, 8 additional residential units and 8 car-parking spaces have been sold. Marketing for the remaining 81 unsold residential units and 41 private car-parking spaces and leasing activities for the retail podium are continuing.

5. *Crowne Plaza Hong Kong Causeway Bay, Causeway Bay*

The superstructure construction works of this 29-storey five-star hotel comprising 263 guest rooms (gross floor area of approximately 14,945 square metres) with ancillary facilities has been completed. The relevant occupation permit has recently been obtained and fitting out and internal decoration works will commence soon. The Group has engaged the InterContinental Hotel Group, a leading international hospitality services provider to manage the operation of the hotel under the name of "Crowne Plaza Hong Kong Causeway Bay". In view of the uncertain economic conditions, the opening of the hotel has been rescheduled from the middle of 2009 to the last quarter of 2009. A pre-opening team has been in place and marketing initiatives for up-scale business travellers have been formulated.



The Morrison



The Forest Hills



Crowne Plaza Hong Kong Causeway Bay

Chairman's Statement

6. *Fo Tan, Sha Tin*

The property with a site area of about 20,092 square metres is currently leased to a tenant as a logistic centre until end of 2009. Rezoning applications with several master layout plans and design schemes have been submitted to the Town Planning Board and relevant parties for consideration. The proposed development will comprise, among other facilities, residential units, car parks, educational facilities and a bus terminus. The Town Planning Board rejected the Group's planning application in July 2008 owing to a number of outstanding environmental, traffic and urban issues and the Group's appeal will be heard in mid October 2009. Further negotiations with relevant parties will be required to obtain the necessary approval.

7. *28/F., 9 Queen's Road Central, Central*

The property is the entire floor of a 35-storey Grade A commercial building in Central with a gross floor area of

approximately 1,279 square metres. It is currently let to a firm of international lawyers for a term of 3 years until mid May 2009 and this law firm has recently renewed and signed a lease at a much higher rent for a further term of 3 years upon the expiry of its present lease.

8. *Excelsior Plaza Shop, Causeway Bay*

The shop which occupies a prime position in Hong Kong's busiest shopping district and has a gross floor area of approximately 39 square metres has been let to an international jewellery retailer for a term of 3 years until July 2011 at a rent 42% higher than the previous lease rate.

Mainland China

9. *Westmin Plaza Phase II, Guangzhou*

The whole Westmin Plaza Phase II project, completed in March 2008, has a total construction floor area of about 118,966 square metres and comprises four residential blocks of 646 units and one office block erected on a 6-storey commercial/car-parking



Plaza Central

podium. In February 2009, all the remaining 45 residential units were sold and the relevant profit will be reflected in the financial statements of the Company for the year ending 31st December, 2009.

The 14-storey office tower has a total gross floor area of about 16,112 square metres. As at 31st December, 2008, 55.1% of the tower was leased with more than one-third of the total office space having been leased with the naming right to AIA, one of the "successful arms" of AIG, for a term of 6 years from April 2008. Leasing campaigns for the remaining office space and the 3-storey shopping arcade with a total gross floor area of about 26,612 square metres are in progress. Stable recurrent rental income from this property is expected.

10. Plaza Central, Chengdu

Plaza Central comprises two 30-storey office blocks erected on a common podium of 6 commercial/retail floors and 2 car-parking floors with a total construction floor area of

approximately 91,455 square metres. This development was temporarily closed for safety inspection after the Sichuan earthquake in mid May 2008. With the exception of minor damage to certain non-structural parts of the complex and accessories, it was confirmed by the appropriate authorities that the property was suitable for normal use. As a result, the complex was subsequently re-opened for occupation by tenants.

Office towers I and II together were about 48.4% let as at 31st December, 2008 and leasing campaigns for the remaining areas are continuing. The retail podium with a construction floor area of about 28,758 square metres has been fully let principally to Chengdu New World Department Store on a long-term lease. Rental returns from this property will benefit from the improving occupancy.



Westmin Plaza Phase II



New Century Plaza

Chairman's Statement

11. Huangshan Project

In March 2008, the Group acquired a 91% equity interest in a mainland China company with the remaining interest being held by a Chinese party. This joint venture company has the right to develop tourist leisure facilities on land located in the famous scenic Huangshan area of Anhui Province. The land to be developed by the joint venture company has a site area of about 333,500 square metres comprising about 66,700 square metres owned by the company and about 266,800 square metres which are leased from the local authority for 40 years and the joint venture company has the right to develop. A total cash consideration of HK\$43.8 million has been paid by the Group for the acquisition of its 91% interest in this project. The Group has appointed an international property consultancy firm to prepare a survey in respect of the market positioning of the project and this survey will be completed shortly.

12. New Century Plaza, Chengdu

In July 2008, the Group disposed to its subsidiary AGP of the entire equity interest in a company owning a shopping arcade with a gross floor area of about 16,280 square metres and 50 car parks in a commercial development known as New Century Plaza in Chengdu, Sichuan Province for a cash consideration of HK\$60.3 million. Such consideration was based on the consolidated net asset value of that company as at the completion date after taking into account an independent valuation for the properties of HK\$118.3 million as at 30th June, 2008. The arcade is fully let to a furniture retailer until August 2009. Negotiations for the renewal of the lease are under way.

13. Chi Shan, Nanjing

In November 2008, the Group formed a joint venture with a Chinese party for an

industrial, cultural and tourism development in Chi Shan, Nanjing, Jiangsu Province. It has a 51% equity interest in the newly incorporated joint venture company and will contribute a maximum of HK\$49.1 million for such development at various stages.

And in December 2008, the Group entered into an agreement with another Chinese party for the acquisition of 51% of each of the equity interest and shareholder's loan of a company incorporated in Nanjing at an aggregate cash consideration of about HK\$83.6 million. The said company has been established for an industrial, cultural and tourism development in Chi Shan, Nanjing, which is adjacent to the development mentioned in the first paragraph above. It is expected that the Group will contribute a maximum of HK\$306.0 million for the project at various stages, in line with its ownership percentage in the project.

The above total contribution will be used to pay the expenses of tenant relocation arrangements of the land and construction of roads and bridges (both refundable by the local government representatives after the tenders mentioned hereafter) and initial tenders by the joint venture companies for usable land with an aggregate area of 403,354 square metres in Chi Shan.

14. Acquisition after 31st December, 2008

In mid March 2009, the Group formed a 50/50 joint venture with an individual by acquiring from him 50% of the entire issued shares in a company incorporated in Hong Kong that he previously held. Such joint venture company, through its wholly-owned company incorporated in mainland China, has the rights to construct and develop certain residential projects in Leiyang, Hunan Province. So far, the Group has contributed about HK\$43.0 million in the Phase I development for which the superstructure work for three blocks of 6 and 7 storey building is in progress.

Australia and New Zealand

During the year, the Group continued to sell the remaining properties in New Zealand. However, the intended disposal was affected by the severe downturn of the property markets in the region due to the global financial crisis particularly after mid September 2008. Accordingly, the Group has made a provision for diminution in value of HK\$94.1 million for certain property projects in New Zealand. A revaluation deficit of HK\$35.0 million for the investment properties in Australia and New Zealand has also been accounted for in the year under review. Turnover generated from the property investment and development projects in Australia and New Zealand for the year ended 31st December, 2008 was HK\$79.3 million (2007: HK\$504.7 million) which incurred a net loss of HK\$116.7 million after taking into account the above provision (2007: net profit of HK\$52.9 million).

As at the year end date, the value of the property portfolio in Australia and New Zealand was HK\$357.9 million (2007: HK\$588.5 million).

Disposal of Assets

Towards the end of August 2008, the Group completed the disposal of its entire 52% equity interest in each of P.T. Sumber Kencana Graha ("SKG") and P.T. Catur Marga Utama ("CMU"), two Indonesian companies, which were held by a 64% indirect subsidiary of the Company for a total cash consideration of about HK\$163.3 million (the "Disposals"). SKG and CMU were engaged in the real estate business and owned or controlled various pieces of land in Indonesia with an aggregate area of about 1.4 million square metres. The Group recorded a net gain after minority interest of approximately HK\$67.1 million from the Disposals for the year ended 31st December, 2008.

Further details of the Disposals are set out in the Company's announcement and circular dated 2nd October, 2008 and 23rd January, 2009 respectively.



Clearwater Clubhouse

Chairman's Statement



1. Westmin Plaza Phase II
2. Plaza Central
3. Huangshan Project
4. New Century Plaza
5. Nanjing Project
6. Leiyang Project

Location of the Group's properties / projects in Mainland China

Location of the Group's properties / projects in Hong Kong

1. Dah Sing Financial Centre
2. Royal Green
3. The Morrison
4. The Forest Hills
5. Crowne Plaza Hong Kong Causeway Bay
6. Fo Tan Project
7. 28/F., 9 Queen's Road Central
8. Excelsior Plaza Shop



Financial Resources and Liquidity

Working Capital and Loan Facilities

As at 31st December, 2008, the Group's cash balance was HK\$2,166.2 million (2007: HK\$1,186.3 million) and unutilized facilities were HK\$1,405.6 million (2007: HK\$1,756.7 million).

Gearing ratio as at 31st December, 2008, calculated on the basis of net interest bearing debts minus cash and restricted and pledged deposits as a percentage of total property assets, was 5.7% (2007: 12.9%).

As at 31st December, 2008, maturities of the Group's outstanding borrowings were as follows:

	31st December, 2008 HK\$' million	31st December, 2007 HK\$' million
Due		
Within 1 year	1,651.2	1,991.5
1-2 years	59.4	64.4
3-5 years	980.2	733.1
Over 5 years	272.9	67.2
	<u>2,963.7</u>	<u>2,856.2</u>

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and mainland China, the total bank loans drawn as at 31st December, 2008 amounted to HK\$2,670.2 million (2007: HK\$2,400.8 million), which were mainly secured by properties valued at HK\$5,862.1 million (2007: HK\$7,689.0 million) and fixed deposits of HK\$198.4 million (2007: HK\$370.3 million).

Certain subsidiaries of the Company operating in New Zealand and Australia pledged their properties with an aggregate carrying value of HK\$357.9 million as at 31st December, 2008 (2007: HK\$533.9 million) and fixed deposits of HK\$4.2 million (2007: HK\$Nil) to secure bank loans of HK\$293.5 million (2007: HK\$405.3 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 31st December, 2008, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis. Currently, borrowings are primarily denominated in Hong Kong dollars and mainly based on floating rate terms. There were no significant derivative financial instruments employed during the year.

Chairman's Statement

Staff and Emolument Policy

The total number of employees of the Group at 31st December, 2008 was 153 (2007: 137). Employee costs, including the emoluments of the directors of the Group, amounted to HK\$77.2 million (2007: HK\$119.7 million).

The Group aims to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, responsibilities and performance. Fringe benefits including medical insurance scheme, study and training allowances and voluntary employer contributions to retirement schemes are offered to employees. In addition, the Company has adopted an employee share option scheme with options granted by the Board to the Group's employees (including directors of the Company) on a discretionary basis.

Outlook

The outlook for the global economy in 2009 appears dismal. A gradual recovery of the global economy is expected in late 2010, but a sustained recovery will depend upon restoring the smooth functioning of the financial sector and market confidence. However, China might be the first major economy to recover from the global economic slump given that the fiscal stimulus and credit boost in mainland China would support domestic demand.

In mainland China, the Central Government, in the face of the global depressed situation, has strengthened macro-economic regulation and swiftly adjusted its policy. The Government has been implementing policies that over time would

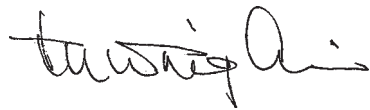
help reduce the reliance on exports as a main growth engine and strengthen the role of domestic demand. The shift will be a difficult and protracted process, but undoubtedly in China's long term interest and it is believed that the mainland China market presents future growth potential for the Group. Although the Government has imposed fiscal stimulus to provide support to demand and incentives to boost transactions, property transaction prices are seen to be dropping through much of the rest of 2009. Property transactions volume in mainland China may rebound to a level comparable to the fourth quarter of 2008 as property prices have decreased to a certain level. There are recent signs that some of the major players within mainland China who are engaged in the property development business are starting to take advantage of the opportunities arising from the financial crisis. However, despite the immediate outlook the Group will adhere to its focused approach to mainland China business expansion and will also continue to exert its efforts to secure quality tenants for its office space in Plaza Central and office and commercial spaces in Westmin Plaza Phase II and carry on with caution the development of its Huangshan, Nanjing and Leiyang projects.

In Hong Kong, the Group expects that the rental income from Dah Sing Financial Centre may remain flat in view of the current difficult situation. It is expected that the outlook for the residential property market in Hong Kong will continue to be pessimistic for 2009. However, strong affordability of home-buyers and the supportive policy from the government should continue to underpin demand for residential properties in spite of uncertainty about external economies and volatility in international equity markets. The Group will focus on leasing activities for its investment properties and continue its marketing campaign for the sale of

the remaining unsold residential units of The Forest Hills, Royal Green and The Morrison. Fitting out and internal decoration works of the Crowne Plaza Hong Kong Causeway Bay will commence soon with a grand-opening date targeted in late 2009.

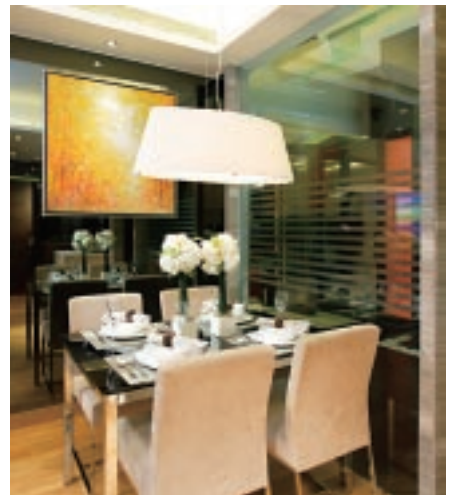
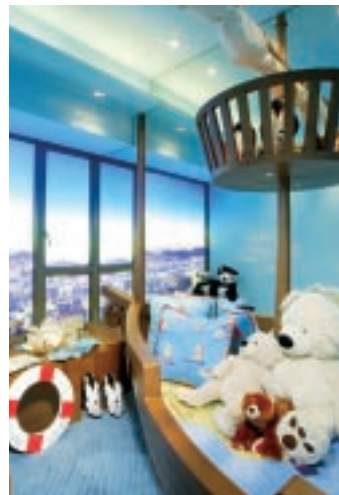
In Australia and New Zealand, the Group will continue its strategy to sell further properties at reasonable prices but the intended sale will inevitably be affected by the present adverse market conditions in the region.

Going forward, the Group will cautiously continue to explore good development and investment opportunities in mainland China and Hong Kong.



Lu Wing Chi
Chairman and Managing Director

Hong Kong, 16th April, 2009



Showflats of The Forest Hills

Directors' Biographical Information

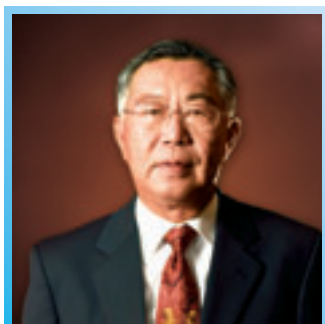
EXECUTIVE DIRECTORS



Mr. Lu Wing Chi

Mr. Lu Wing Chi, aged 62, joined the Group in 1969 and is the Chairman and Managing Director of the Company and a member of both of its Executive Committee and Remuneration Committee. He is also an executive director of Asian Growth Properties Limited, a subsidiary of the Company listed in London and holds directorships in a number of the members of the Group. In addition, he was a director of Trans Tasman Properties Limited, another subsidiary of the Company which was privatised by the Group and delisted in New Zealand in April 2007. He is also a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). He has over 40 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations. To date, Mr. Lu continues to steer and chart the Group's development direction and strategies.

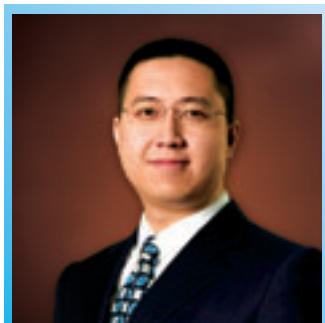
Mr. Lu is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors of the Company and a cousin of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.



Mr. Lu Wing Yuk, Andrew

Mr. Lu Wing Yuk, Andrew, aged 62, has acted as an Executive Director of the Company since 1989. He is a member of the Executive Committee of the Company and a director of several members of the Group. He is also the Managing Director of Kian Nan Trading Company Limited. He has about 40 years of experience in the textile industry and international trading.

Mr. Lu is a cousin of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company and an uncle of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors of the Company. He did not hold any directorship in other listed public companies in the last three years.



Mr. Lincoln Lu

Mr. Lincoln Lu, aged 34, joined the Group in 1998 and was appointed an Executive Director of the Company in December 2003. He is presently a member of the Executive Committee of the Company. He is also a director of various members of the Group and is primarily responsible for the Group's hotel and project management operations. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). Mr. Lu is a member of the Sichuan Committee of Chinese People's Political Consultative Conference. He holds a Bachelor of Arts degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company, the elder brother of Mr. Lambert Lu, Executive Director of the Company and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company. He did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information



Mr. Lambert Lu

Mr. Lambert Lu, aged 32, joined the Group in 1999 and was appointed an Executive Director of the Company in December 2003. He is a member of both the Executive Committee and Remuneration Committee of the Company. Mr. Lu is an executive director of Asian Growth Properties Limited, a subsidiary of the Company listed in London and also holds a number of directorships in the Group's Hong Kong and overseas subsidiaries. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). Currently in charge of the management functions of the Group, he is responsible for the Group's corporate development as well as financial activities and investment matters. Mr. Lu gained his Bachelor's degree in Statistics and Economics from the University of British Columbia, Canada. He furthered his postgraduate business studies at the Tsinghua School of Economics and Management, Tsinghua University, The People's Republic of China.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company and the brother of Mr. Lincoln Lu, Executive Director of the Company and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

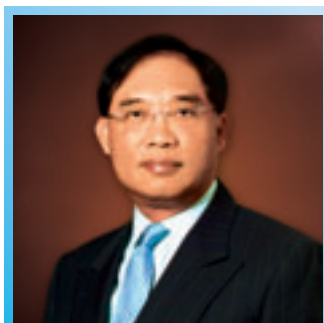
NON-EXECUTIVE DIRECTORS



Mr. Lam Sing Tai

Mr. Lam Sing Tai, aged 62, joined the Group in 1973 and was appointed a Non-executive Director of the Company in April 2006. He has over 35 years of solid experience in property development and investment. He is currently a Director and the General Manager of South-East Asia Investment And Agency Company, Limited, a wholly-owned subsidiary of the Company and is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and mainland China. He is also a director of various members of the Group.

Mr. Lam did not hold any directorship in other listed public companies in the last three years.



Mr. Tse Man Bun

Mr. Tse Man Bun, aged 66, joined the Group as an Executive Director of the Company in 2004 and has been redesignated as a Non-executive Director of the Company since September 2007. He has over 40 years of experience in the banking and finance industry. He is presently an independent non-executive director of HSBC Insurance (Asia) Limited, HSBC Life (International) Limited, Crystal International Limited, China Fishery Group Limited, a company listed in Singapore and Tysan Holdings Limited, a company listed in Hong Kong.

Save as disclosed above, Mr. Tse did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr. Walujo Santoso, Wally

Mr. Walujo Santoso, Wally, aged 55, has acted as an Independent Non-executive Director of the Company since December 1994 and is a member of both the Audit Committee and Remuneration Committee of the Company. He is also the Managing Director of Grand Ocean (International) Limited. He holds a Diploma in Accounting and has over 30 years of experience in international trading and manufacturing.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.



Mr. Leung Hok Lim

Mr. Leung Hok Lim, *FCPA(Aust.), CPA(Macau), FCPA(Practising)*, aged 73, has acted as an Independent Non-executive Director of the Company since February 1999 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Leung is the founder and senior partner of PKF, Accountants and Business Advisers. He is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and an independent non-executive director of a number of listed companies in Hong Kong, namely Fujian Holdings Limited, High Fashion International Limited, Phoenix Satellite Television Holdings Limited, Theme International Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited. He was an independent non-executive director and the chairman of the audit committee of Bright International Group Limited, a company listed in Hong Kong until 31st December, 2008. He obtained his fellowship with the Hong Kong Institute of Certified Public Accountants in 1973.

Save as disclosed above, Mr. Leung did not hold any directorship in other listed public companies in the last three years.



Mr. Chung Pui Lam

Mr. Chung Pui Lam, *SBS, OBE, JP*, aged 68, has acted as an Independent Non-executive Director of the Company since September 2004 and is a practising solicitor in Hong Kong. He is presently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited, both being listed companies in Hong Kong. In addition, Mr. Chung is serving as members on several advisory committees of the Government of the Hong Kong Special Administrative Region.

Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Save for the information set out above, there is no information of the Directors of the Company to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, nor are there any other matters that need to be brought to the attention of the shareholders of the Company. Further, each of the Non-executive Directors and Independent Non-executive Directors of the Company is not connected with any Directors, senior management or substantial or controlling shareholders of the Company.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements.

Corporate Governance Practices

Throughout the year ended 31st December, 2008, the Company has applied the principles and complied with all the code provisions and adopted certain recommended best practices of the Code on Corporate Governance Practices (the "CGP Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was amended and came into effect on 1st January, 2009 except for code provision A.2.1, which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

The Company does not propose to comply with code provision A.2.1 for the time being. The Chairman currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operation and development of the Group for a considerable period of time and no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment while the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates. In addition, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals including three independent non-executive directors.

The Board will continually review and recommend such proposals as appropriate in the circumstances of such a deviation.

Although the requirement for a Qualified Accountant in the Listing Rules has been removed with effect from 1st January, 2009, the Group continues to maintain such position and a team of professional accounting personnel to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

Board of Directors

Composition

The directors of the Company who served the Board during the year under review and up to the date of this report are named as follows:

Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lincoln Lu

Mr. Lambert Lu

Mr. David Hsu

(resigned on 1st February, 2009)

Non-executive Directors

Mr. Lam Sing Tai
Mr. Tse Man Bun

Independent Non-executive Directors (“INEDs”)

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

The brief biographical particulars of the existing directors are set out in the “Directors’ Biographical Information” on pages 18 to 21. Further particulars of same are contained in the Directors’ Report on pages 32 to 44.

Role and Function

The directors are accountable to the shareholders for the activities and performance of the Group. The Board has reserved for its decision and consideration the following matters:

- i) adoption and overall oversight of objectives and strategic plans;
- ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;
- iii) approval of interim dividends and recommendation of final dividends for shareholders’ approval;
- iv) establishment of board committees and delegation of powers of the Board to same;
- v) appointment and re-appointment of board members;
- vi) approval of significant accounting policies and practices;
- vii) oversight of corporate governance and internal controls; and
- viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of business strategies and initiatives adopted by the Board, preparation of annual and interim financial statements for the Board’s approval before public reporting, implementation of adequate systems of internal control and risk management procedures, and compliance with relevant requirements, rules and regulations.

Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis that are required for significant and important issues. The Board held four regular Board meetings during the year to approve the 2007 final results and 2008 interim results respectively and consider financial and operating performances. The Company Secretary attended all regular Board meetings to advise on corporate governance and statutory compliance when necessary and the Group Financial Controller or his delegate also attended the Board meetings to advise on accounting, financial and internal control matters. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group’s latest developments.

Corporate Governance Report

Relationship

Of the directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu and a cousin of Mr. Lu Wing Yuk, Andrew who is an uncle of Messrs. Lincoln Lu and Lambert Lu. Other than these, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's affairs. Throughout the year ended 31st December, 2008, half of the Board members were executive directors and the other half were non-executive directors (including INEDs). As from 1st February, 2009, the Board comprises a majority of non-executive directors and INEDs, whose views carry significant weight in the Board's decisions. The Board members have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

Enhancement and Insurance

To further enhance the directors' consciousness of the importance of directors' duty under common law and comply with the requirement of the Companies Ordinance (Chapter 32, Laws of Hong Kong), a booklet entitled "Non-statutory Guidelines on Directors' Duties" in which the general principles that a director should follow in the performance of his functions and exercise of his powers was distributed in early 2008 to each of the Group's directors of companies incorporated or registered under the said Ordinance.

The Company also encourages its directors to participate in relevant professional development courses to continually update their relevant skills. The Company has arranged for appropriate liability insurance for the directors for indemnifying their liabilities arising out of corporate activities.

Non-executive Directors

The non-executive directors (including INEDs) of the Company are subject to retirement by rotation at least once every three years. They have brought independent judgement and provided the Group with invaluable guidance and advice on the Group's development.

INEDs

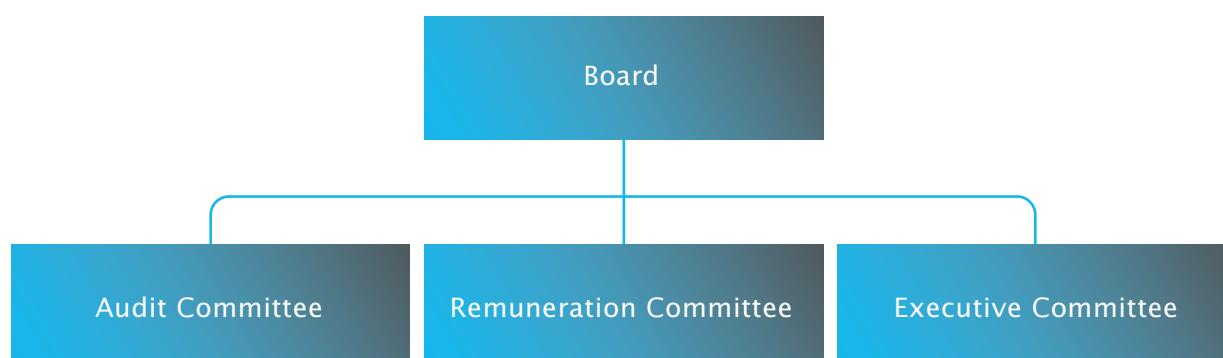
Throughout the year ended 31st December, 2008, the Board met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least an INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

The three INEDs come from diverse business and professional background in the fields of accounting and laws, rendering valuable expertise and experience to promote the best interests of the Company and its shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner.

The Company has received from each of the INEDs an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the INEDs have been independent since their appointment.

Board Committees

The Board has established several Board Committees, namely Audit Committee, Remuneration Committee and Executive Committee to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



Audit Committee

Composition

The Audit Committee was established in 1999 and its terms of reference were revised for implementation on 1st April, 2005 and 1st January, 2009 respectively in accordance with the code provisions of the CGP Code in force. The Audit Committee currently comprises three members and all of them are INEDs, namely:

Mr. Leung Hok Lim (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and the effectiveness of the audit process in accordance with applicable standards as well as to maintain an appropriate relationship with the external independent auditor of the Company.

During the year ended 31st December, 2008, the Audit Committee met twice with the representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

- i) the accounting principles and policies adopted by the Group;
- ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31st December, 2007;
- iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30th June, 2008;
- iv) the terms and conditions of the engagement letters of the independent auditor for the audit of the Group's financial statements for the year ended 31st December, 2008;

Corporate Governance Report

- v) any significant findings by the independent auditor during financial audit and other audit issues; and
- vi) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements.

It also recommended to the Board for approval the re-appointment of the independent auditor and reviewed the relevant audit fees.

On 8th April, 2009, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the results and audited consolidated financial statements of the Company for the year ended 31st December, 2008.

Remuneration Committee

Composition

The Company formulated written terms of reference for the Remuneration Committee in accordance with the code provisions of the CGP Code. The Remuneration Committee presently comprises the Chairman of the Company, another executive director and three INEDs. Members of the Remuneration Committee who served the Committee during the year under review and up to the date of this report are named below:

Mr. Chung Pui Lam (*Chairman*)

Mr. Lu Wing Chi

Mr. Lambert Lu (appointed on 1st February, 2009)

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. David Hsu (resigned on 1st February, 2009)

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the executive and non-executive directors and ensuring that no director will be involved in deciding his own remuneration. In determining the directors' emoluments, the Remuneration Committee takes into consideration factors such as the Company's profitability, emoluments paid by comparable companies, qualifications, experience, time commitment, responsibilities and performance of directors and employment conditions elsewhere in the Group. The Remuneration Committee notes that the Company is operating employee share option schemes and the Board has granted options as an incentive to the directors and employees of the Group on a discretionary basis, significant particulars of which are set out on pages 38 to 42.

At the 2005 annual general meeting, the shareholders of the Company approved the authorisation of the directors to fix the directors' fees if the aggregate amount did not exceed HK\$1.0 million per annum. During the year, the Remuneration Committee met once and assessed the performance of the executive directors and reviewed and/or approved the remuneration of the executive and non-executive directors.

In early March 2009, the Remuneration Committee held a meeting to review and determine the executive directors' salary for the year ending 31st December, 2009 and their bonus for the year ended 31st December, 2008 in line with the Company's profitability and recommend to the Board for approval the remuneration of the non-executive directors (including INEDs) for the current year.

Executive Committee

Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman of the Company and all other executive directors. The Executive Committee members are named as follows:

Mr. Lu Wing Chi (*Chairman and Managing Director*)
 Mr. Lu Wing Yuk, Andrew
 Mr. Lincoln Lu
 Mr. Lambert Lu
 Mr. David Hsu (ceased on 1st February, 2009)

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

Attendance Record at Meetings

The attendance record of each director at Board meetings, Audit Committee meetings and Remuneration Committee meeting during the year are set out in the following table:

Directors	Number of meetings attended/ Number of meetings held		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Mr. Lu Wing Chi (<i>Chairman and Managing Director</i>)	4/4	—	1/1
Mr. Lu Wing Yuk, Andrew	4/4	—	—
Mr. Lincoln Lu	4/4	—	—
Mr. Lambert Lu *	4/4	—	—
Mr. David Hsu #	4/4	—	1/1
<i>Non-executive Directors</i>			
Mr. Lam Sing Tai	4/4	—	—
Mr. Tse Man Bun	3/4	—	—
<i>INEDs</i>			
Mr. Walujo Santoso, Wally	4/4	2/2	1/1
Mr. Leung Hok Lim	3/4	2/2	1/1
Mr. Chung Pui Lam	4/4	2/2	1/1

* Mr. Lu was appointed a member of the Remuneration Committee on 1st February, 2009.

Mr. Hsu resigned as an executive director and a member of the Remuneration Committee and ceased to be a member of the Executive Committee on 1st February, 2009.

Corporate Governance Report

Nomination, Retirement and Re-election of Directors

The Company has a formal and transparent procedure for the appointment of new directors and re-appointment of retiring directors. The Board assuming the role of the Nomination Committee reviews the structure, size and composition of the Board. An individual may be appointed as director based on the recommendation of a director or the management. Potential candidates should have the required skills, knowledge and expertise to add value to the Board and be of integrity and able to commit the necessary time to their position. A candidate for an independent non-executive director must also meet the independence criteria set out in the relevant provisions of the Listing Rules. All directors' appointments shall be approved by the Board and/or the shareholders in general meetings. Further, shareholders can nominate persons for election as directors at any general meeting where such nomination is received by the Company after publication of the notice of such meeting.

In accordance with the Company's Bye-laws, every director shall retire from office no later than the third annual general meeting after he was last elected or re-elected. Further, any director appointed by the Board as an additional board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. Those directors subject to retirement and re-election at the forthcoming 2009 annual general meeting of the Company ("AGM") are Messrs. Lincoln Lu, Lam Sing Tai and Leung Hok Lim (the "Retiring Directors") whose particulars set out on pages 18 to 21 and a circular dated 29th April, 2009. The re-election of the Retiring Directors had been reviewed by the Board assuming the role of the Nomination Committee. After considering the Retiring Directors' business experience, qualifications, skills and responsibilities in the Group, the Board has resolved that the subject re-election be proposed for shareholders' approval at the 2009 AGM.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. As amendments to the provisions of the Model Code have been made several times by the Stock Exchange which came into effect on 1st January and 1st April, 2009 respectively, the Company has adopted all the relevant amendments timely.

In response to the specific enquiry made on them, all the directors of the Company have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31st December, 2008.

Directors' interests in shares and underlying shares in the Company are contained in the Directors' Report on pages 36 and 37 and 40 to 42.

Directors' Responsibility for Preparing Financial Statements

The directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been mentioned in the "Independent Auditor's Report" on page 45. In doing so, the directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the Accounting and Finance Department which is under the supervision of the Qualified Accountant of the Company, the directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards. The directors also ensure timely publication of the financial statements of the Group as required by the Listing Rules.

Independent Auditor's Reporting Responsibility

The statement of Messrs. Deloitte Touche Tohmatsu ("DTT"), the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the "Independent Auditor's Report" on page 45.

Going Concern

The directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Internal Control

The Board has overall responsibility for the Group's system of internal control and the assessment and management of risks. The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the executive directors of operational and financial reports provided by the management, regular business meetings between the executive directors and the core management team and periodic review of the Group's financial results by the Board.

The Board and the Audit Committee continue to review the effectiveness and adequacy of the Group's system of internal control which includes financial, operational and compliance mechanisms in order to identify, evaluate and manage risks and take appropriate measures to mitigate those risks that could adversely impact the Group's business activities. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by external independent auditor during statutory audit.

Independent Auditor's Remuneration

At the AGM held on 30th May, 2008, DTT were re-appointed by the shareholders as independent auditor of the Company at a fee to be agreed by the Board. The Audit Committee has reviewed the terms of the engagement letters of DTT and agreed with DTT the fees for auditing the Group's financial statements for the year ended 31st December, 2008, which together with the fees charged by Deloitte in New Zealand amounted to approximately HK\$3.9 million. In addition, total fees for about HK\$0.8 million were paid and payable to DTT for non-audit services, being the review of (a) the results announcement of the Company for the year ended 31st December, 2008 and (b) the interim financial information of the Company for the six months ended 30th June, 2008, and the tax consultancy services for a certain project of the Group.

In addition, fees for the audit of the financial statements of certain members of the Company for the year under review conducted by other auditors amounted to about HK\$0.2 million.

Corporate Governance Report

Communication with Shareholders

The Company has established a number of channels to communicate with shareholders as follows:

- i) corporate communication such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.seagroup.com.hk;
- ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- iii) corporate information is made available on the Company's website;
- iv) AGMs and special general meetings provide a forum for shareholders to make comments and exchange views with the directors and senior management; and
- v) the Company's share registrars serve the shareholders in respect of share registration and related matters.

To enhance corporate communication, separate resolutions have been proposed at general meetings on each substantially separate issue including the election of individual directors. Particulars of the voting procedures and rights of shareholders to demand a poll have been included in the circular to shareholders.

At the Company's last AGM held on 30th May, 2008, all the resolutions relating to ordinary businesses and special businesses proposed thereat were passed. The forthcoming 2009 AGM will be held in Hong Kong on 10th June, 2009 and for details, shareholders may refer to the circular containing the notice of such AGM which accompanies this Annual Report.

Upon the implementation of the amendments to the Listing Rules with effect from 1st January, 2009, all resolutions proposed at the AGM and all general meetings of the Company will be voted by poll. The poll voting results will be posted on the respective websites of the Stock Exchange and the Company promptly after the relevant meetings.

Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2828 6363 during normal business hours, by fax at (852) 2598 6861 or by e-mail at info@seagroup.com.hk.

Looking Forward

The above corporate governance practices will be monitored, reviewed, amended and revoked from time to time as considered necessary by the Board and its committees. The Company will take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CGP Code at all times.

Shareholders' Information

Taxation of Holders of Shares

(a) Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if higher, the fair value of the shares being sold or transferred (rounded up to the nearest HK\$'000).

Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Bermuda

Under present Bermuda law, transfers and other dispositions of shares in the Company are exempt from Bermuda stamp duty.

(c) Consultation with professional advisers

Intending holders of shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their purchase, holding, disposal of or dealing in such shares.

Key Dates

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	Year 2009
2008 Annual results announcement	16th April
Closure of register of members	4th to 10th June
2009 Annual general meeting ("AGM")	10th June
Record date for entitlement to attending and voting at the AGM and proposed 2008 final dividend	10th June
Payment of 2008 final dividend	18th June
2009 Interim results announcement	on or before 30th September

Directors' Report

The directors present their report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31st December, 2008.

Principal Activities

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were investment holding, property and asset management as well as property investment and development in Hong Kong, mainland China, Australia and New Zealand.

Other particulars of the principal subsidiaries of the Company as at 31st December, 2008 are set out in note 53 to the consolidated financial statements.

Segmental Analysis of Operations

An analysis of the Group's performance for the year by geographical and business segments is set out in note 8 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 46.

The state of affairs of the Group as at 31st December, 2008 is set out in the consolidated balance sheet on pages 47 and 48.

An interim dividend of HK5 cents (2007: HK5 cents) per share amounting to HK\$32.8 million (2007: HK\$30.1 million) was paid to the shareholders during the year. The board of directors has resolved to recommend for shareholders' approval at the forthcoming 2009 annual general meeting ("AGM") the payment of a final dividend of HK5 cents per share for the year under review (2007: HK9 cents), amounting to about HK\$32.1 million (2007: HK\$58.9 million), to the shareholders whose names appear on the register of members at the close of business on 10th June, 2009.

Share Capital and Warrants

Details of the movements in the share capital and outstanding warrants of the Company during the year are set out in notes 42 and 43 to the consolidated financial statements respectively.

The warrants issued by the Company carrying subscription rights to subscribe for shares of the Company at the subscription price of HK\$1.38 per share lapsed after 3rd December, 2008.

The net proceeds from the issue of shares as a result of the conversion of the warrants have been used for the general working capital requirements of the Company.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 49.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31st December, 2008 were as follows:

	2008	2007
	HK\$'000	HK\$'000
Contributed surplus	190,081	190,081
Retained profits	1,350,754	1,454,088
	1,540,835	1,644,169

Under the Companies Act 1981 of Bermuda (as amended), the amount of 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 after the payment:

- (a) it is or would be unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate amount of its liabilities and its issued share capital and share premium accounts.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Investment Properties

All the investment properties of the Group were revalued at 31st December, 2008. The net decrease in fair value of investment properties amounting to HK\$620.6 million has been debited directly to the consolidated income statement (2007: net increase of HK\$834.7 million was credited).

Details of the movements during the year in the investment properties of the Group are set out in note 21 to the consolidated financial statements.

During the year, properties held for sale with a total carrying value amounting to HK\$431.0 million were transferred to investment properties (2007: HK\$6.7 million).

Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 22 to the consolidated financial statements.

Properties

Details of the properties of the Group held for investment and sale purposes and under development at 31st December, 2008 are set out in the Property Portfolio on pages 4 and 5.

Directors' Report

Directors

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

Executive Directors

Mr. Lu Wing Chi
(*Chairman and Managing Director*)
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu
Mr. David Hsu (resigned on 1st February, 2009)

Non-executive Directors

Mr. Lam Sing Tai
Mr. Tse Man Bun

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Messrs. Lincoln Lu, Lam Sing Tai and Leung Hok Lim will retire as directors by rotation and, being eligible, offer themselves for re-election at the forthcoming 2009 AGM.

All other remaining directors shall continue in office.

Directors' Biographical Particulars

Brief biographical particulars of the directors are set out on pages 18 to 21. Other particulars of same are contained elsewhere in this Report.

Further particulars of the directors to be re-elected at the 2009 AGM are also set out in the circular to the shareholders sent together with this Annual Report.

Directors' Service Contracts

None of the directors of the Company proposed for re-election at the forthcoming 2009 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

Particulars of the emoluments of directors on a named basis for the year are set out in note 16 to the consolidated financial statements.

Certain information about directors' emoluments for the year ending 31st December, 2009 is as follows:

Name of directors	Title	Annual	
		Salary (HK\$)	Directors' fees (HK\$)
Lu Wing Chi	Chairman and Managing Director	5,400,000	20,000*
Lu Wing Yuk, Andrew	Executive Director	720,000	20,000
Lincoln Lu	Executive Director	2,160,000	20,000
Lambert Lu	Executive Director	2,160,000	20,000*
Lam Sing Tai	Non-executive Director	1,440,000	20,000
Tse Man Bun	Non-executive Director	—	20,000
Walujo Santoso, Wally	Independent Non-executive Director	—	150,000
Leung Hok Lim	Independent Non-executive Director	—	200,000
Chung Pui Lam	Independent Non-executive Director	—	200,000

* Each of Mr. Lu Wing Chi and Mr. Lambert Lu receives an additional annual director's fee of £20,000 from Asian Growth Properties Limited, a 97.2%-owned subsidiary of the Company listed in London.

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangements for Directors to Acquire Shares and Debentures

Other than the share options as described in greater detail in the section headed "Share Options" below and note 49 to the consolidated financial statements, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the following directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such directors have been appointed to represent the interests of the Company and/or other members of the Group:

Directors' Report

- (i) Mr. Lu Wing Chi, Chairman and Managing Director also has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (ii) Mr. Lu Wing Yuk, Andrew, Executive Director has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (iii) Messrs. Lincoln Lu and Lambert Lu, both Executive Directors are the sons of Mr. Lu Wing Chi. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi is deemed interested. Messrs. Lincoln Lu and Lambert Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (iv) Mr. Tse Man Bun, Non-executive Director is also an independent non-executive director of Tysan Holdings Limited (a company listed on the Stock Exchange) whose principal businesses include building construction as well as property development, investment and management. In this regard, he is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group. In addition, Mr. Tse and his associates also invest from time to time in real estate investments. However, the scale and nature of such investments do not fit the investment profile of the Group. Hence, Mr. Tse is not considered by the Group to have interests in businesses which compete or are likely to compete with the businesses of the Group as a result of such investments.

However, the board of directors of the Company comprises nine members including two non-executive directors and three independent non-executive directors whose views carry significant weight in the board's decisions. As a whole, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the directors are fully aware of, and have been discharging, their fiduciary duty to the Company. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

Directors' and Chief Executives' Interests in Securities

At 31st December, 2008, the interests and short positions of the directors and the chief executive of the Company and their respective associates (as defined in the Listing Rules) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

(the "SFO") as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO), as required to be entered in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

1. Long positions in shares and underlying shares in the Company

Name of directors	Number of shares of HK\$0.1 each	Number of underlying shares (share options)	Total	Approximate % of shares in issue
	Held as beneficial owner	Held as beneficial owner		
Lu Wing Chi	—	6,569,285 [#]	6,569,285	1.00
Lu Wing Yuk, Andrew	—	6,569,285 [#]	6,569,285	1.00
Lincoln Lu	1,772,717	6,569,285 [#]	8,342,002	1.27
Lambert Lu	1,772,717	6,569,285 [#]	8,342,002	1.27
Lam Sing Tai	101,478 ^{##}	6,569,285 [#]	6,670,763	1.02
Tse Man Bun	100,000	656,928 [#]	756,928	0.12
Walujo Santoso, Wally	—	656,928 [#]	656,928	0.10
Leung Hok Lim	—	656,928 [#]	656,928	0.10
Chung Pui Lam	—	656,928 [#]	656,928	0.10

Notes:

[#] Particulars of the options granted are contained in the section headed "Share Options" below.

^{##} Of these shares, 5,739 shares were held by Mr. Lam Sing Tai's wife.

The total number of issued shares of the Company as at 31st December, 2008 was 656,928,517.

2. Long positions in shares and underlying shares in associated corporations

(a) JCS Limited ("JCS") — ultimate holding company of the Company

Name of directors	Number of shares of HK\$100.0 each		Total	Approximate % of shares in issue
	Held as beneficial owner	Held by controlled corporation		
Lu Wing Chi	3,000	12,000	15,000	32.61
Lincoln Lu	6,000	—	6,000	13.04
Lambert Lu	6,000	—	6,000	13.04

Directors' Report

(b) Nan Luen International Limited (“NLI”) — immediate holding company of the Company

Name of directors	Number of shares of HK\$100.0 each	Approximate % of shares in issue
	Held as beneficial owner	
Lu Wing Chi	46,938	30.00
Lincoln Lu	5,021	3.21
Lambert Lu	5,021	3.21

Saved as disclosed herein, as at 31st December, 2008, none of the directors and chief executive nor their respective associates had any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the year ended 31st December, 2008, none of the directors and chief executive of the Company nor their spouses or children under 18 years of age were granted or exercised any right to subscribe for any securities of the Company or any of its associated corporations.

Further details of the directors' respective interests in the share options are stated in the section headed “Share Options” below.

Share Options

Share options are unlisted equity derivatives physically settled in cash to subscribe for shares of HK\$0.1 each in the Company.

Old scheme

The Company operates an Employee Share Option Scheme (the “Old Scheme”) adopted by an ordinary resolution on 23rd June, 2000, which complied with the Listing Rules as existed prior to 1st September, 2001. The rules governing share options were revised to the form currently set out in Chapter 17 of the Listing Rules on 1st September, 2001. According to the transitional arrangement set out in the Listing Rules, the Company cannot grant further options under the Old Scheme unless it has been amended to comply with the current requirements set out in the Listing Rules. The Company has not granted any share options under the Old Scheme since 1st September, 2001. At the special general meeting of the members of the Company held on 19th August, 2005, the Old Scheme was terminated.

New scheme

The Company adopted a New Employee Share Option Scheme (the “New Scheme”) which has been in compliance with the amended requirements set out in the Listing Rules at the special general meeting held on 19th August, 2005 (the “Approval Date”).

A summary of the principal terms of the New Scheme is set out below:

1. Purpose

- (a) The New Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions which the Participants (as defined in paragraph 2 below) have made or may make to the Group.
- (b) The New Scheme will provide the Participants with an opportunity to have a personal stake in the Company with a view to motivating the Participants to utilise and further improve their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Participants whose contributions are or will be beneficial to the long term growth of the Group.

2. Participants

The Board may at its discretion grant options to any director (whether executive or independent non-executive director) or full-time employee of any member of the Group.

3. Total number of shares available for issue

(a) 30% limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time (the "Scheme Limit").

(b) 10% limit

In addition to the Scheme Limit, and subject to the following paragraph, the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the shares in issue as at the Approval Date, i.e. 53,066,578 shares (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of securities which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the shares in issue as at the date of approval of the refreshment by the shareholders. Options previously granted under the New Scheme and any other share option schemes, including without limitation any options which are outstanding, cancelled, lapsed or exercised, will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

The Company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed Scheme Mandate Limit provided that the options in excess of such limit are granted only to the Participants specifically identified before such approval is sought. A circular containing a generic description of the specified Participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose and other information required under the Listing Rules must be sent to the shareholders.

As at 16th April, 2009, the total number of shares available for issue under the New Scheme was 6,932,441, which represented approximately 1.08% of the issued share capital of the Company on that date. Shareholders' approval is being sought for refreshing the Scheme Mandate Limit at the 2009 AGM so that the Company could have more flexibility to provide incentives to the Participants by way of granting share options to them to strive for the future development and success of the Group.

4. Maximum entitlement of each Participant

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue as at the date of such new grant. Where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, lapsed, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

5. Option period

The period within which the shares must be taken up under an option will be determined by the Board at its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

6. Amount payable upon acceptance of option

HK\$10.0 is payable by each Participant to the Company on acceptance of an offer of an option, which will be paid within 28 days from the offer date.

7. Minimum vesting period

Unless otherwise determined by the Board at its sole discretion, there is no requirement of a minimum period for which an option must be held before such an option can be exercised under the terms of the New Scheme.

8. Subscription price of shares

The subscription price must be at least the highest of:

- (a) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of the grant of option which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "Business Day");
- (b) the average of the closing price of the shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the above date of offer; and
- (c) the nominal value of a share (i.e. HK\$0.1).

9. Remaining life

The New Scheme commenced on 25th August, 2005 when it became unconditional and will continue in force until the tenth anniversary of such date.

Options granted

All options granted prior to the termination of the Old Scheme will continue to be valid and exercisable in accordance with the provisions of the Old Scheme. On 31st December, 2008, the Company granted share options to selected eligible Participants under the New Scheme.

Details of the outstanding share options held by the directors of the Company and certain employees and other participant of the Group during the year ended 31st December, 2008 pursuant to both the Old Scheme and the New Scheme are as follows:

Name	Date of grant	Exercise price per share (HK\$)	Vesting period	Exercise period	Number of underlying shares comprised in share options		
					Balance as at 1.1.2008	Granted during the year ¹	Balance as at 31.12.2008
Directors							
Lu Wing Chi	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	6,569,285	6,569,285
Lu Wing Yuk, Andrew	04.12.2000	1.440	—	04.12.2000 to 03.12.2010	3,000,000	—	3,000,000
	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	3,569,285	3,569,285
Lincoln Lu	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	6,569,285	6,569,285
Lambert Lu	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	6,569,285	6,569,285
Lam Sing Tai	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	6,569,285	6,569,285
Tse Man Bun	31.12.2008	2.262	31.12.2008 to 30.12.2009	31.12.2009 to 30.12.2011	—	656,928	656,928
Walujo Santoso, Wally	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	656,928	656,928
Leung Hok Lim	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	656,928	656,928
Chung Pui Lam	31.12.2008	2.262	31.12.2008 to 30.12.2009	31.12.2009 to 30.12.2011	—	656,928	656,928
Sub-Total					3,000,000	32,474,137	35,474,137
Aggregate of eligible employees²	31.12.2008	2.262	Various ³	Various ³	—	10,660,000	10,660,000
Other participant	31.12.2008	2.262	—	31.12.2008 to 30.12.2010	—	3,000,000	3,000,000
Sub-Total					—	13,660,000	13,660,000
Total					3,000,000	46,134,137	49,134,137

Directors' Report

Notes:

1. (a) The closing price of the shares of the Company immediately before 31st December, 2008 on which the share options were granted was HK\$2.25 per share.
- (b) Fair value of share options granted during the year ended 31st December, 2008 and the relevant assumptions are set out in note 49 to the consolidated financial statements.
- (c) The accounting policy adopted for share options is set out in note 3 to the consolidated financial statements.
2. Eligible employees mean any full-time employees of the Company and any member of the Group working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.
3. The options granted on 31st December, 2008 under the New Scheme to the eligible employees and other participant are exercisable in the following manner:

Number of underlying shares	Vesting period	Exercise period
37,450,281	—	31.12.2008 to 30.12.2010
1,463,856	31.12.2008 to 30.12.2009	31.12.2009 to 30.12.2011
210,000	31.12.2008 to 29.06.2010	30.06.2010 to 29.06.2012
3,400,000	31.12.2008 to 30.12.2010	31.12.2010 to 30.12.2012
500,000	31.12.2008 to 29.06.2011	30.06.2011 to 29.06.2013
100,000	31.12.2008 to 30.12.2011	31.12.2011 to 30.12.2013
670,000	31.12.2008 to 29.06.2012	30.06.2012 to 29.06.2014
1,010,000	31.12.2008 to 30.12.2012	31.12.2012 to 30.12.2014
1,330,000	31.12.2008 to 29.06.2013	30.06.2013 to 29.06.2015

No options were exercised, cancelled or lapsed during the year under review.

Substantial Shareholders' Interests in Securities

As at 31st December, 2008, so far as it is known or otherwise notified to any director or the chief executive of the Company, as at 31st December, 2008, the particulars of corporations or persons (other than a director or the chief executive of the Company) who had 5% or more interests or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares in the Company

Name of shareholders	Number of shares of HK\$0.1 each		Approximate % of shares in issue
	Held as beneficial owner	Held by controlled corporation	
JCS ²	—	377,406,184	57.45
NLI ³	377,406,184	—	57.45

Notes:

1. JCS held about 63.58% of the issued shares in NLI. 377,406,184 shares held by NLI were deemed to be JCS's interest and such shares were, therefore, duplicated between these two shareholders for the purpose of the SFO.
2. Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all being directors of the Company, were also directors of JCS.
3. Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all being directors of the Company, were also directors of NLI.

Saved as disclosed above, the directors are not aware of any other corporation or person (other than a director or chief executive) who, as at 31st December, 2008, had any interests or short positions in the shares or underlying shares in the Company recorded in the register required to be kept under Section 336 of the SFO.

Dealings in the Company's Shares and Warrants

During the year ended 31st December, 2008, the Company did not redeem any of its listed shares or warrants (which expired after 3rd December, 2008) nor did the Company or any of its subsidiaries purchase or sell any such securities.

Major Suppliers and Major Customers

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% of the Group's total purchases and sales respectively.

Connected Transaction

On 15th August, 2008, two Indonesian individuals (both being the nominees of the Group) and several other individual sellers ("Other Sellers") entered into an agreement with the independent purchasers (the "Purchasers") in relation to the disposals of the entire issued share capital of each of P.T. Sumber Kencana Graha ("SKG") and P.T. Catur Marga Utama ("CMU"), two Indonesian companies (which included the Group's 52% equity interest therein held by a 64% indirect subsidiary of the Company for a total cash consideration of about HK\$163.3 million) (the "Disposals"). SKG and CMU were engaged in the real estate business and owned or controlled various pieces of land in Indonesia with an aggregate area of about 1.4 million square metres.

Immediately before the Disposals, the Company, through a 64% owned subsidiary, indirectly held 52% of the entire issued and paid-up share capital of each of SKG and CMU. Each of the Purchasers was a third party independent of the Group and its connected persons (as defined in the Listing Rules). However, certain of the Other Sellers were considered to be connected persons of the Company under the Listing Rules since (i) one of them was a substantial shareholder of each of SKG and CMU; (ii) another was a director of SKG; (iii) the persons as mentioned in (i) and (ii) above were associates of each other; and (iv) the other was an associate of both the persons as mentioned in (i) and (ii) above. As a result of the relationships between the Company and the abovementioned persons, the Disposals constituted a connected transaction of the Company (which is also a discloseable transaction) under the Listing Rules. The Group recorded a net gain after minority interest of about HK\$67.1 million from the Disposals.

Further details of the Disposals are set out in the Company's announcement and circular dated 2nd October, 2008 and 23rd January, 2009 respectively.

Directors' Report

Corporate Governance

Throughout the year ended 31st December, 2008, the Company has applied the principles and complied with all the code provisions and adopted certain recommended best practices of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (save for the relevant amendments thereto which came into effect on 1st January, 2009) with the exception of code provision A.2.1, which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 22 to 30.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, there was a sufficient prescribed public float of the issued shares in the Company under the Listing Rules during the year and up to the date of this report.

Charitable Donations

During the year, the Group made charitable donations amounting to about HK\$3.7 million (2007: HK\$1.8 million).

Five-Year Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the Financial Highlights on pages 2 and 3.

Audit Committee

In the presence of the representatives of Messrs. Deloitte Touche Tohmatsu ("DTT"), Certified Public Accountants, the independent auditor of the Company, the Audit Committee met on 8th April, 2009 and reviewed with the management the audited consolidated financial statements of the Company for the year ended 31st December, 2008.

Independent Auditor

The consolidated financial results of the Company for the year under review have been audited by DTT, who retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint DTT as independent auditor of the Company will be submitted to the forthcoming 2009 AGM for shareholders' approval.

On behalf of the Board



Lu Wing Chi
Chairman and Managing Director

Hong Kong, 16th April, 2009

Independent Auditor's Report



TO THE SHAREHOLDERS OF S E A HOLDINGS LIMITED *(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 112, which comprise the consolidated balance sheet 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 consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit and to report our opinion 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Revenue	7	1,580,992	2,198,842
Interest income	9	45,901	64,605
Other income		25,397	27,740
Costs:			
Property and related costs	10	(1,037,026)	(1,469,811)
Staff costs		(77,273)	(119,745)
Depreciation		(5,572)	(4,568)
Other expenses		(91,894)	(68,489)
		(1,211,765)	(1,662,613)
Net gain on investments	11	—	69,172
Profit before fair value changes on investment properties		440,525	697,746
Fair value (decrease) increase on investment properties		(620,641)	834,662
Fair value increase on properties held for sale upon transfer to investment properties		269,242	—
Profit after fair value changes on investment properties		89,126	1,532,408
Gain (loss) on disposals of subsidiaries	44	104,817	(1,089)
Gain on liquidation of a jointly controlled entity	12	50,356	—
Recognition of discount on acquisition	13	—	10,076
Share of results of associates		1,511	2,041
Finance costs	14	(115,495)	(107,398)
Profit before taxation	15	130,315	1,436,038
Income tax expense	18	(18,325)	(323,175)
Profit for the year		111,990	1,112,863
Attributable to:			
Company's shareholders		63,297	965,497
Minority interests		48,693	147,366
		111,990	1,112,863
Dividends	19		
Dividend recognised as distribution		91,696	71,772
Dividend proposed		32,071	58,925
Earnings per share for profit attributable to the Company's shareholders	20		
Basic		HK\$0.10	HK\$1.62
Diluted		HK\$0.10	HK\$1.50
Earnings per share excluding fair value changes on investment properties/properties held for sale upon transfer to investment properties net of deferred tax	20		
Basic		HK\$0.52	HK\$0.46
Diluted		HK\$0.51	HK\$0.43

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-current Assets			
Investment properties	21	5,712,333	5,752,782
Property, plant and equipment	22	348,493	146,375
Prepaid lease payments	23	350,040	358,448
Properties for development	24	49,995	—
Interests in associates	25	10,512	19,689
Interests in jointly controlled entities	26	—	—
Club memberships	27	8,574	8,574
Loans receivable	28	86,463	125,235
		6,566,410	6,411,103
Current Assets			
Properties held for sale	29	744,933	565,770
Properties under development held for sale	29	638,497	1,867,149
Prepaid lease payments	23	8,607	8,805
Held for trading investments	30	51	398
Loans receivable	28	11,222	41,063
Receivables, deposits and prepayments	31	169,366	345,141
Income tax recoverable		79	2,794
Amounts due from jointly controlled entities	32	—	17,100
Amounts due from minority shareholders	32	19,650	—
Pledged bank deposits	33	202,644	420,277
Restricted bank balances and deposits	34	147,322	134,240
Bank balances and cash	35	2,166,157	1,186,259
		4,108,528	4,588,996
Current Liabilities			
Payables, deposits received and accrued charges	36	278,874	416,721
Sales deposits on properties held for sale received		9,580	357,498
Provisions	37	6,807	15,965
Income tax payable		138,079	109,200
Amounts due to minority shareholders	38	80,602	87,177
Bank borrowings — due within one year	39	1,651,241	1,991,549
		2,165,183	2,978,110
Net Current Assets		1,943,345	1,610,886
Total Assets Less Current Liabilities		8,509,755	8,021,989
Non-current Liabilities			
Amounts due to minority shareholders	38	—	6,492
Bank borrowings — due after one year	39	1,312,446	864,687
Derivative financial liability	40	7,166	—
Deferred taxation	41	630,171	692,574
		1,949,783	1,563,753
Net Assets		6,559,972	6,458,236

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Capital and Reserves			
Share capital	42	65,693	60,283
Reserves		6,258,226	6,125,560
Equity attributable to the Company's shareholders		6,323,919	6,185,843
Minority interests		236,053	272,393
Total Equity		6,559,972	6,458,236

The consolidated financial statements on pages 46 to 112 were approved and authorised for issue by the Board of Directors on 16 April 2009 and are signed on its behalf by:



LU WING CHI
CHAIRMAN AND MANAGING DIRECTOR



LAMBERT LU
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to the Company's shareholders											
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	58,310	249,063	90,732	36,745	4,451	277,707	41,417	—	4,434,303	5,192,728	533,487	5,726,215
Exchange movement during the year	—	—	100,363	—	—	—	—	—	—	100,363	1,379	101,742
Reversal of deferred tax liability arising from foreign currency translations	—	—	8,551	—	—	—	—	—	—	8,551	—	8,551
Fair value changes on available-for-sale investments	—	—	—	29,715	—	—	—	—	—	29,715	—	29,715
Net profit recognised directly in equity	—	—	108,914	29,715	—	—	—	—	—	138,629	1,379	140,008
Released upon disposal of available-for-sale investments	—	—	—	(66,460)	—	—	—	—	—	(66,460)	—	(66,460)
Profit for the year	—	—	—	—	—	—	—	—	965,497	965,497	147,366	1,112,863
Total recognised profit for the year	—	—	108,914	(36,745)	—	—	—	—	965,497	1,037,666	148,745	1,186,411
Shares issued on exercise of warrants	1,973	25,248	—	—	—	—	—	—	—	27,221	—	27,221
Dividends proposed	—	—	—	—	—	—	58,925	—	(58,925)	—	—	—
Dividends paid	—	—	—	—	—	—	(41,417)	—	(30,138)	(71,555)	—	(71,555)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(264,822)	(264,822)
Additional prior year's final dividend paid on exercise of warrants subsequent to issue of the financial statements	—	—	—	—	—	—	—	—	(217)	(217)	—	(217)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	(142,451)	(142,451)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(2,566)	(2,566)
At 31 December 2007	60,283	274,311	199,646	—	4,451	277,707	58,925	—	5,310,520	6,185,843	272,393	6,458,236
Exchange movement during the year recognised directly in equity	—	—	13,962	—	—	—	—	—	—	13,962	48,109	62,071
Release on disposal of subsidiaries	—	—	66,311	—	—	—	—	—	—	66,311	—	66,311
Profit for the year	—	—	—	—	—	—	—	—	63,297	63,297	48,693	111,990
Total recognised profit for the year	—	—	80,273	—	—	—	—	—	63,297	143,570	96,802	240,372
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	11,542	—	11,542	—	11,542
Shares issued on exercise of warrants	5,410	69,250	—	—	—	—	—	—	—	74,660	—	74,660
Dividends proposed	—	—	—	—	—	—	32,071	—	(32,071)	—	—	—
Dividends paid	—	—	—	—	—	—	(58,925)	—	(32,771)	(91,696)	—	(91,696)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(124,969)	(124,969)
Acquisition of assets and liabilities through acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	198	198
Contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	—	693	693
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(9,064)	(9,064)
At 31 December 2008	65,693	343,561	279,919	—	4,451	277,707	32,071	11,542	5,308,975	6,323,919	236,053	6,559,972

The contributed surplus of the Group represents the difference between the nominal value of the shares of an acquired subsidiary and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	130,315	1,436,038
Adjustments for:		
Share of results of associates	(1,511)	(2,041)
Interest expenses	110,986	103,523
(Gain) loss on disposals of subsidiaries	(104,817)	1,089
Gain on liquidation of a jointly controlled entity	(50,356)	—
Depreciation	5,572	4,568
Amortisation of properties for development	637	—
Fair value increase on properties held for sale upon transfer to investment properties	(269,242)	—
Fair value decrease (increase) on investment properties	620,641	(834,662)
Fair value decrease on held for trading investments	347	—
Fair value decrease in a derivative financial instrument	7,166	—
Net gain on disposal of equity investments	—	(69,172)
Write down of properties held for sale/properties under development held for sale	94,139	76,162
Allowance for loans receivable	—	11,232
Allowance for other receivables	—	414
Dividend income from equity investments	—	(277)
Interest income	(45,901)	(64,605)
Loss on disposal of property, plant and equipment	143	2,585
Share-based payment expenses	11,542	—
Recognition of discount on acquisition	—	(10,076)
Operating cash flows before movements in working capital	509,661	654,778
Decrease in inventories	—	697
Decrease in properties held for sale/properties under development held for sale	819,129	723,087
Decrease (increase) in receivables, deposits and prepayments	178,282	(177,342)
Decrease in payables, deposits received and accrued charges	(151,165)	(34,594)
Decrease in sales deposits on properties held for sale received	(348,141)	(105,389)
Payment of compensation for rental guarantees	—	(280)
Cash generated from operations	1,007,766	1,060,957
Interest paid on bank and other borrowings	(139,375)	(163,625)
Hong Kong Profits Tax paid	(28,700)	(105,697)
Taxation paid in other jurisdictions	(28,224)	(5,890)
NET CASH FROM OPERATING ACTIVITIES	811,467	785,745

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
INVESTING ACTIVITIES			
Purchase of investment properties		(1,246)	(4,380)
Addition to properties for development		(36,416)	—
Proceeds on disposal of investment properties		—	3,895
Purchase of property, plant and equipment		(185,075)	(65,394)
Proceeds on disposal of property, plant and equipment		98	7,983
Dividend received from an associate		3,186	2,530
Dividend received from equity investments		—	277
Interest received		41,694	58,805
Purchase of equity investments		—	(4)
Proceeds on disposal of equity investments		—	83,836
Repayment from (advance to) jointly controlled entities		158	(8,400)
Advance of loans receivable		(17,592)	(30,015)
Repayments of loans receivable		51,224	24,870
Decrease (increase) in pledged bank deposits		216,648	(219,569)
(Increase) decrease in restricted bank balances and deposits		(5,888)	214,129
Acquisition of additional interests in a subsidiary		—	(132,375)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	44	89,994	(2,382)
Acquisition of a subsidiary	45	(5,307)	30
NET CASH FROM (USED IN) INVESTING ACTIVITIES		151,478	(66,164)
FINANCING ACTIVITIES			
Repayments of bank borrowings		(2,401,361)	(799,259)
Proceeds from bank borrowings		2,528,749	1,009,302
Advances from minority shareholders		99,998	13,600
Repayments to minority shareholders		(86,388)	(43,458)
Dividends paid		(91,696)	(71,772)
Dividends paid to minority shareholders		(124,969)	(264,822)
Proceeds on issuance of shares		74,660	27,221
Contribution from a minority shareholder		693	—
NET CASH USED IN FINANCING ACTIVITIES		(314)	(129,188)
NET INCREASE IN CASH AND CASH EQUIVALENTS		962,631	590,393
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,186,259	570,445
Effect of foreign exchange rate changes		17,267	25,421
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		2,166,157	1,186,259

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. General

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Nan Luen International Limited and its ultimate holding company is JCS Limited. Both of these companies are incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 53.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items 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 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) — Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except 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 ending on or after 30 June 2009

⁵ Effective for annual periods beginning on or after 1 July 2008

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. The principal accounting policies adopted are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in subsidiaries

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition is recognised as discount on acquisition.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant Accounting Policies *(continued)*

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

Jointly controlled assets

Where a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and share of any liabilities incurred jointly with the other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Interests in joint ventures *(continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties is retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from sales of properties is recognised when the respective properties have been completed and delivered to the buyers. Payments received from purchasers prior to this stage are recorded as pre-sales deposits under current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Others

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Properties for development

Properties for development represents consideration and other direct costs for acquisition of leasehold interest in land held for future development.

Properties for development is stated at cost and amortised to profit or loss on a straight-line basis over the term of the relevant lease until the commencement of the development project. Upon the commencement of development, the remaining carrying value of the properties for development would be transferred to properties under development held for sale or prepaid lease payments according to the nature of development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Prepaid lease payments/properties under development

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Cost comprises property development costs including attributable borrowing costs and directly attributable costs capitalised during the development period. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Properties held for sale/properties under development held for sale

Properties held for sale and properties under development held for sale in the ordinary course of business are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowing costs and directly attributable costs capitalised during the development period that have been incurred in bringing the properties to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

Impairment on assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loans and receivables and held for trading investments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including receivables, loans receivable, amounts due from jointly controlled entities and minority shareholders, pledged bank deposits, restricted bank balances and deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held for trading investments

At each balance sheet date subsequent to initial recognition, held for trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Impairment of financial assets

Financial assets, other than held for trading investment, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities

Financial liabilities including payables, amounts due to minority shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity instruments.

Derivatives

Derivatives that do not qualify for hedge accounting are deemed as financial assets/liabilities held for trading and are measured at fair value with fair value changes recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Club memberships

On initial recognition, club memberships are recognised at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating lease, except for those classified and accounted for as investment properties under fair value model.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which cases, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (i.e. translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Share-based payment transactions

Share options granted to employees on or before 7 November 2002.

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed immediately or on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following estimation that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income tax

No deferred tax asset has been recognised in respect of tax losses and deductible temporary differences of HK\$379,857,000 and HK\$126,596,000 (2007: HK\$659,327,000 and HK\$40,133,000) respectively as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which it takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings, which is disclosed in note 39, and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debts.

6. Financial Instruments

(a) Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	2,683,349	2,129,597
Held for trading investments	51	398
	2,683,400	2,129,995
<i>Financial liabilities</i>		
Derivative financial liability	7,166	—
At amortised costs	3,307,645	3,195,050
	3,314,811	3,195,050

(b) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations.

The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall strategy remains unchanged from prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk:

(i) Foreign currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets and monetary liabilities, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of those foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Assets		Liabilities	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong dollars	4,377	—	—	80,000
United States dollars	<u>135,022</u>	<u>133,472</u>	<u>—</u>	<u>—</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2007: 5%) appreciation in Renminbi, which is the functional currency of the relevant subsidiaries, relative to Hong Kong dollars and United States dollars. There would be an equal and opposite impact where Renminbi weakens 5% (2007:5%) against the relevant currencies.

	Decrease (increase) in profit for the year	
	2008 HK\$'000	2007 HK\$'000
Hong Kong dollars	219	(4,000)
United States dollars	<u>6,751</u>	<u>6,674</u>

As at 31 December 2008, the loans to foreign operations within the Group that form part of the Group's net investment in foreign operations and are denominated in foreign currency of Hong Kong dollars and United States dollars amounted to HK\$96,139,000 (2007: HK\$94,773,000) and HK\$92,498,000 (2007: HK\$165,957,000) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Foreign currency risk *(continued)*

The following table details the Group's sensitivity to a 5% (2007: 5%) appreciation in Renminbi relative to Hong Kong dollars and United States dollars. There would be an equal and opposite impact where Renminbi weakens 5% (2007:5%) against the relevant currencies.

	Increase in equity	
	2008 HK\$'000	2007 HK\$'000
Hong Kong dollars	4,807	4,739
United States dollars	4,625	8,298

(ii) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 39 for details of bank borrowings) and loans receivable (see note 28 for details of loans receivable). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Money Market Offer Rate, Hong Kong Prime Rate and People's Bank of China lending rate and New Zealand Bank Bill Rate, Australian Bank Bill Swap Bid Rate and interest rate in Indonesia on bank borrowings (note 39), and Hong Kong Prime Rate on loans receivable (note 28).

The Group is also exposed to fair value interest rate risk in relation to fixed-rate loans receivable, bank borrowing, restricted bank balances and deposits, pledged bank deposits and bank balances.

The management monitors interest exposure on bank borrowings and will consider hedging interest rate risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates in relation to the Group's variable-rate bank borrowings and loans receivable at the balance sheet date. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points (2007: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2007: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by HK\$13,887,000 (2007: decrease/increase by HK\$12,836,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has 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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

The Group has concentration of credit risk on amounts due from minority shareholders which were advanced to a few counterparties. In order to minimise the credit risk, the directors of the Company closely monitor the recoverability of amounts due from minority shareholders. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 3 months HK\$'000	4 months to 6 months HK\$'000	7 months to 9 months HK\$'000	10 months to 12 months HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying value HK\$'000
At 31 December 2008								
Payables and accrued charges	—	199,019	6,692	6,141	2,089	49,415	263,356	263,356
Amounts due to minority shareholders	—	—	—	—	80,602	—	80,602	80,602
Variable rates bank borrowings	2.75	1,039,856	23,720	600,064	35,724	1,382,957	3,082,321	2,867,205
Fixed rate bank borrowings	7.25	1,749	1,749	1,749	1,749	131,866	138,862	96,482
		<u>1,240,624</u>	<u>32,161</u>	<u>607,954</u>	<u>120,164</u>	<u>1,564,238</u>	<u>3,565,141</u>	<u>3,307,645</u>

	Weighted average effective interest rate %	Less than 3 months HK\$'000	4 months to 6 months HK\$'000	7 months to 9 months HK\$'000	10 months to 12 months HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying value HK\$'000
At 31 December 2007								
Payables and accrued charges	—	200,402	3,091	2,125	1,677	37,850	245,145	245,145
Amounts due to minority shareholders	—	79	—	—	87,098	6,492	93,669	93,669
Variable rates bank borrowings	5.20	1,387,310	444,286	70,373	148,955	843,871	2,894,795	2,733,571
Fixed rate bank borrowings	7.25	—	—	—	—	157,497	157,497	122,665
		<u>1,587,791</u>	<u>447,377</u>	<u>72,498</u>	<u>237,730</u>	<u>1,045,710</u>	<u>3,391,106</u>	<u>3,195,050</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

(c) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of derivative financial instrument is determined in accordance with generally accepted pricing model based on discounted cash flow analysis with reference to interest rate at the balance sheet date for remaining duration of the outstanding contract; and
- the fair value of other financial assets and financial liabilities (excluding derivative financial instrument) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue

	2008 HK\$'000	2007 HK\$'000
Gross rental income	245,067	179,989
Sales of properties	1,334,820	2,006,820
Sales of goods	—	10,695
Agency and service fees income	441	397
Dividend income	—	277
Project management fee income	664	664
	1,580,992	2,198,842

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. Geographical and Business Segments

Geographical segments

The operations of the Group are currently located in New Zealand, Australia, Hong Kong and other regions of the Peoples' Republic of China (the "PRC"). The corresponding geographical locations of the Group's assets, which are the same as geographical market based on locations of customers, are the basis on which the Group reports its primary segment information.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	New Zealand HK\$'000	Australia HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	64,625	14,684	1,430,334	71,349	—	—	1,580,992
Inter-segment sales*	266	—	27,171	—	—	(27,437)	—
Total revenue	64,891	14,684	1,457,505	71,349	—	(27,437)	1,580,992
* Inter-segment sales are charged at mutually agreed terms.							
RESULTS							
Segment (loss) profit	(126,718)	(26,615)	150,704	128,538	(7,717)	—	118,192
Interest income							45,901
Gain on disposals of subsidiaries	—	—	—	—	104,817	—	104,817
Gain on liquidation of a jointly controlled entity	—	—	—	50,356	—	—	50,356
Unallocated corporate expenses							(74,967)
Share of results of associates	1,511	—	—	—	—	—	1,511
Finance costs							(115,495)
Profit before taxation							130,315
Income tax expense							(18,325)
Profit for the year							111,990

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

OTHER INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

	New Zealand HK\$'000	Australia HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
Amortisation of properties for development	—	—	—	637	—	637
Capital additions	135	—	201,206	125,780	—	327,121
Depreciation	469	2,514	2,004	546	39	5,572
Loss on disposal of property, plant and equipment	37	—	—	106	—	143
Fair value decrease on investment properties	13,727	21,250	540,000	45,664	—	620,641
Fair value increase on properties held for sale upon transfer to investment properties	—	—	(130,874)	(138,368)	—	(269,242)
Write down of properties held for sale	94,139	—	—	—	—	94,139
Net exchange loss	761	1,343	9,687	35	—	11,826

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

	New Zealand HK\$'000	Australia HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	210,340	168,590	5,842,444	1,898,053	—	8,119,427
Interests in associates	10,512	—	—	—	—	10,512
Restricted bank balances and deposits	—	—	—	147,322	—	147,322
Income tax recoverable	—	—	—	—	—	79
Amounts due from minority shareholders	—	—	—	—	—	19,650
Other unallocated corporate assets	—	—	—	—	—	2,377,948
Consolidated total assets						10,674,938
LIABILITIES						
Segment liabilities	5,522	3,186	161,637	72,340	47,089	289,774
Bank borrowings	—	—	—	—	—	2,963,687
Amounts due to minority shareholders	—	—	—	—	—	80,602
Derivative financial liability	—	—	—	—	—	7,166
Income tax payable	—	—	—	—	—	138,079
Deferred taxation	—	—	—	—	—	630,171
Other unallocated corporate liabilities	—	—	—	—	—	5,487
Consolidated total liabilities						4,114,966

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	New Zealand HK\$'000	Australia HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	439,757	64,942	1,241,085	453,058	—	—	2,198,842
Inter-segment sales*	306	—	115,064	—	—	(115,370)	—
Total revenue	<u>440,063</u>	<u>64,942</u>	<u>1,356,149</u>	<u>453,058</u>	<u>—</u>	<u>(115,370)</u>	<u>2,198,842</u>
* Inter-segment sales are mutually agreed terms.							
RESULTS							
Segment (loss) profit	<u>(55,557)</u>	<u>21,924</u>	<u>1,132,626</u>	<u>436,719</u>	<u>(1,706)</u>	<u>—</u>	1,534,006
Interest income							64,605
Recognition of discount on acquisition							10,076
Unallocated corporate expenses							(67,292)
Share of results of associates	2,041	—	—	—	—	—	2,041
Finance costs							<u>(107,398)</u>
Profit before taxation							1,436,038
Income tax expense							<u>(323,175)</u>
Profit for the year							<u>1,112,863</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

OTHER INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007

	New Zealand HK\$'000	Australia HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	470	11,019	64,748	4,917	—	81,154
Depreciation	1,075	664	2,246	528	55	4,568
Loss (gain) on disposal of property, plant and equipment	1,325	1,212	(20)	68	—	2,585
Fair value decrease (increase) on investment properties	4,243	(8,550)	(629,000)	(201,355)	—	(834,662)
Allowance for other receivables	414	—	—	—	—	414
Allowance for loans receivable	83	—	11,149	—	—	11,232
Net exchange loss (gain)	236	(258)	(2,525)	—	—	(2,547)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

	New Zealand HK\$'000	Australia HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	409,474	243,800	7,035,728	1,537,301	394	9,226,697
Interests in associates	19,689	—	—	—	—	19,689
Restricted bank balances and deposits	—	—	—	134,240	—	134,240
Income tax recoverable	—	—	—	—	—	2,794
Other unallocated corporate assets	—	—	—	—	—	1,616,679
Consolidated total assets						11,000,099
LIABILITIES						
Segment liabilities	16,777	2,284	562,394	158,161	574	740,190
Bank borrowings	—	—	—	—	—	2,856,236
Amounts due to minority shareholders	—	—	—	—	—	93,669
Income tax payable	—	—	—	—	—	109,200
Deferred taxation	—	—	—	—	—	692,574
Other unallocated corporate liabilities	—	—	—	—	—	49,994
Consolidated total liabilities						4,541,863

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. Geographical and Business Segments *(continued)*

Business segments

In prior year, the Group was organised into four operating divisions — property investment, garment manufacturing and trading, investment and property development. Since the Group has undergone the pre-opening activities of a hotel during the year and the directors expect that the hotel will be opened in the last quarter of 2009, an additional business segment for hotel operation is presented in segment information this year. In addition, following the disposal of the Group's business in garment manufacturing during last year, the Group has re-organised its operating divisions based on the existing business of the Group during the year.

The Group is currently organised into the following four operating divisions — property investment, investment, property development and hotel operation. Comparative figures have been restated to conform with current year's presentation.

Principal activities are as follows:

Property investment	—	rental of properties
Investment	—	investment in equity securities
Property development	—	development of properties
Hotel operation	—	hotel operation and management

All divisions above are operating in New Zealand, Australia, Hong Kong and the PRC.

The following table provides an analysis of the Group's sales revenue by business segments:

	Sales revenue by business segment	
	2008 HK\$'000	2007 HK\$'000
Property investment	245,067	179,989
Investment	—	277
Property development	1,334,820	2,006,820
Hotel operation	—	—
Others	1,105	11,756
	1,580,992	2,198,842

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. Geographical and Business Segments *(continued)*

Business segments *(continued)*

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property investment	5,848,244	5,816,494	125,741	15,793
Investment	2,227	4,077	—	311
Property development	1,613,921	2,909,561	174	635
Hotel operation	654,606	494,056	201,206	64,415
Others	429	2,509	—	—
	8,119,427	9,226,697	327,121	81,154
Unallocated corporate assets	2,555,511	1,773,402	—	—
	10,674,938	11,000,099	327,121	81,154

9. Interest Income

	2008 HK\$'000	2007 HK\$'000
Interest on loans receivable	8,109	16,461
Interest on bank deposits	37,792	48,144
	45,901	64,605

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. Property and Related Costs

	2008 HK\$'000	2007 HK\$'000
Changes in inventories of manufactured finished goods and work-in-progress	—	698
Raw materials and consumables used	—	6,738
Changes in properties held for sale/properties under development held for sale	793,597	561,717
Costs incurred on properties held for sale/properties under development held for sale	4,383	554,338
Write down of properties held for sale/properties under development held for sale	94,139	76,162
Selling and marketing expenses	109,151	240,652
Direct operating expense from investment properties that generate rental income	35,756	29,506
	1,037,026	1,469,811

11. Net Gain on Investments

	2008 HK\$'000	2007 HK\$'000
Net gain on disposal of investments	—	69,172

Amount for the year ended 31 December 2007 included gain on fair value change on available-for-sale investments of HK\$66,460,000 released from investments revaluation reserve.

12. Gain on Liquidation of a Jointly Controlled Entity

During the year, a jointly controlled entity of the Group, Chengdu Mingqiang Real Estate Co., Ltd (“Mingqiang”) was liquidated. Upon completion of the liquidation, the Group received certain properties (which were properties held for sale carried at the lower of cost and net realisable value in the books of Mingqiang), other assets and assumed certain liabilities including bank borrowings with net carrying amount of HK\$55,435,000. The net assets received by the Group were measured at fair value at the date of distribution, which were amounted to HK\$67,298,000. As part of the settlement of the liquidation, the Group had waived the amount due from Mingqiang amounting to HK\$16,942,000. As a result, a gain on liquidation of HK\$50,356,000 has been recognised in the consolidated income statement.

The properties being distributed to the Group has been classified as investment properties at a fair value of HK\$124,174,000. The fair value of the properties was determined by reference to a valuation carried out at the completion date of liquidation by Savills Valuation and Professional Services Limited, a firm of Chartered Surveyors not connected with the Group. The valuation was arrived at by reference to market recent transaction prices for similar properties in the same location and condition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. Recognition of Discount on Acquisition

	2008 HK\$'000	2007 HK\$'000
Recognition of discount on acquisition arising from the acquisition of additional interests in subsidiaries	—	10,076

During the year ended 31 December 2007, the Group acquired further 0.75% interest in a non-wholly owned subsidiary, Asian Growth Properties Limited, on the AIM market of London Stock Exchange plc., resulting in a discount on acquisition of HK\$10,076,000, which represented the difference between additional share of net asset value over consideration.

During the year ended 31 December 2007, the Group acquired all of the remaining shares in Trans Tasman Properties Limited ("TTP"), which was originally listed on the New Zealand Stock Exchange Limited ("NZX") from all minority shareholders at a consideration close to the additional share of net asset value of TTP and its subsidiaries. This acquisition had no significant financial impact to the Group. Subsequent to such acquisition, TTP was delisted from NZX and has become an indirectly wholly-owned subsidiary of the Company.

14. Finance Costs

	2008 HK\$'000	2007 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within 5 years	136,108	158,242
Bank loans not wholly repayable within 5 years	3,267	5,383
	139,375	163,625
Less: Amounts capitalised to property development projects	(28,389)	(61,972)
	110,986	101,653
Facilities charges	4,509	5,745
	115,495	107,398

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 11% (2007: 10%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. Profit Before Taxation

	2008 HK\$'000	2007 HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of properties for development	637	—
Allowance for loans receivable	—	11,232
Allowance for other receivables	—	414
Auditor's remuneration		
Current year	4,087	4,302
Underprovision for prior years	—	397
Directors' emoluments (note 16)	30,337	61,870
Fair value decrease on held for trading investments	347	—
Fair value decrease in a derivative financial instrument	7,166	—
Loss on disposal of property, plant and equipment	143	2,585
Share-based payment expenses	1,940	—
Minimum lease payments under operating leases	2,264	6,169
Net exchange loss	11,826	—
and crediting:		
Gross rental income from investment properties	245,067	179,989
Less: Direct operating expenses from investment properties that generate rental income during the year	(35,755)	(29,506)
Net rental income from investment properties	209,312	150,483
Net exchange gain	—	2,547

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

16. Directors' Emoluments

The emoluments paid or payable to each of the directors are as follows:

	Lu Wing Chi HK\$'000	Lu Wing Yuk, Andrew HK\$'000	Lincoln Lu HK\$'000	Lambert Lu HK\$'000	David Hsu HK\$'000	Tse Man Bun HK\$'000	Lam Sing Tai HK\$'000	Walujo Santoso Wally HK\$'000	Leung Hok Lim HK\$'000	Chung Pui Lam HK\$'000	Total HK\$'000
2008											
Fees	20	20	20	20	20	20	20	150	200	200	690
Other emoluments											
Salaries and other benefits	5,400	720	2,040	2,040	3,000	—	1,356	—	—	—	14,556
Retirement benefits scheme contribution	810	90	212	204	300	—	203	—	—	—	1,819
Discretionary and performance based bonus (Note a)	2,460	300	205	205	—	—	500	—	—	—	3,670
Share-based payment expenses	2,024	1,100	2,024	2,024	—	1	2,024	202	202	1	9,602
Total emolument	10,714	2,230	4,501	4,493	3,320	21	4,103	352	402	201	30,337
2007											
Fees	20	20	20	20	10	20	20	150	170	170	620
Other emoluments											
Salaries and other benefits	3,000	720	1,800	1,800	1,503	1,600	1,236	—	—	—	11,659
Retirement benefits scheme contribution	450	90	180	180	150	160	185	—	—	—	1,395
Discretionary and performance based bonus (Note a)	38,627	300	3,219	3,219	1,764	667	400	—	—	—	48,196
Total emolument	42,097	1,130	5,219	5,219	3,427	2,447	1,841	150	170	170	61,870

Notes:

- The discretionary and performance based bonus to the executive directors is calculated based on the profit before taxation attributable to the Company's shareholders.
- Mr. David Hsu resigned as a director on 1 February 2009.
- No directors waive any emoluments during the two years ended 31 December 2008.

17. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, all (2007: four) were directors of the Company whose emoluments are included in the disclosures in note 16. The emoluments of the remaining one individual during the year ended 31 December 2007 was as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other remuneration	—	2,836

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

18. Income Tax Expense

	2008 HK\$'000	2007 HK\$'000
The charge (credit) comprises:		
Current year		
Hong Kong	74,252	76,705
PRC Enterprise Income Tax	—	40,095
PRC Land Appreciation Tax	—	66,875
Other jurisdictions	—	2,296
	74,252	185,971
(Over) under provision in prior years		
Hong Kong	(310)	(106)
PRC Enterprise Income Tax	15,719	1,290
PRC Land Appreciation Tax	(5,839)	—
Other jurisdictions	(55)	(155)
	9,515	1,029
Deferred tax		
Current year	(37,953)	171,078
Attributable to change in tax rate	(27,489)	(34,903)
	(65,442)	136,175
	18,325	323,175

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. The deferred tax balance at 31 December 2007 has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63. 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 of the Company's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The deferred tax balance at 31 December 2007 has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The corporate tax rate in New Zealand was changed from 33% to 30% with effect from 1 January 2008.

Details of deferred taxation are set out in note 41.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

18. Income Tax Expense (continued)

The income tax expense for the year can be reconciled from profit before taxation per the consolidated income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit (loss) before taxation	211,610	1,486,547	(81,295)	(50,509)	130,315	1,436,038
Applicable income tax rate (Note)	16.5%	17.5%	30%	33%		
Tax at the applicable income tax rate	34,916	260,146	(24,389)	(16,668)	10,527	243,478
Tax effect of share of result of associates	—	—	(453)	674	(453)	674
Tax effect of expenses not deductible for tax purpose	40,059	16,894	9,476	33,716	49,535	50,610
Tax effect of income not taxable for tax purpose	(9,542)	(16,301)	(32,778)	(10,810)	(42,320)	(27,111)
Underprovision of Hong Kong Profits Tax and PRC Enterprise Income Tax in respect of prior years, net	15,409	1,184	—	—	15,409	1,184
Overprovision of income tax in other jurisdictions in respect of prior years, net	—	—	(55)	(155)	(55)	(155)
Tax effect of tax losses not recognised	5,671	13,951	13,130	5,440	18,801	19,391
Utilisation of tax losses previously not recognised	(42,691)	(20,751)	—	—	(42,691)	(20,751)
Tax effect of deductible temporary differences not recognised	—	—	26,973	—	26,973	—
Utilisation of deductible temporary differences previously not recognised	(569)	(12,015)	—	—	(569)	(12,015)
Overprovision of PRC Land Appreciation	(5,839)	—	—	—	(5,839)	—
Tax in respect of prior years PRC Land Appreciation Tax	—	66,875	—	—	—	66,875
Tax effect of PRC Land Appreciation Tax	—	(11,703)	—	—	—	(11,703)
Effect of change in tax rate	(27,489)	(34,903)	—	—	(27,489)	(34,903)
Effect of different tax rates of subsidiaries operated in other jurisdictions	19,016	47,110	—	(415)	19,016	46,695
Others	(151)	16	(2,369)	890	(2,520)	906
Income tax expense for the year	28,790	310,503	(10,465)	12,672	18,325	323,175

Note: The applicable tax rates of 16.5% and 30% represented Hong Kong Profits Tax rate and the corporate tax rate in New Zealand respectively, where the operations of the Group are substantially based.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

19. Dividends

	2008 HK\$'000	2007 HK\$'000
Dividend recognised as distribution during the year:		
2008 interim dividend — HK5 cents (2007: 2007 interim dividend — HK5 cents) per share	32,771	30,138
2007 final dividend — HK9 cents per share	58,925	—
Additional 2006 final dividend on exercise of warrants subsequent to issue of financial statements	—	217
2006 final dividend — HK7 cents per share	—	41,417
	91,696	71,772
2008 final dividend proposed: HK5 cents (2007: HK9 cents) per share	32,071	58,925

A final dividend of HK5 cents (2007: HK9 cents) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

20. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

	2008 HK\$'000	2007 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	63,297	965,497

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	647,975,938	595,254,436
Effect of dilutive potential ordinary shares		
Options	2,125,758	2,207,628
Warrants	6,943,563	46,365,796
Weighted average number of ordinary shares for the purposes of diluted earnings per share	657,045,259	643,827,860

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

20. Earnings Per Share *(continued)*

For the purpose of assessing the performance of the Group, management is of the view that the profit for the year should be adjusted for fair value changes on investment properties/properties held for sale upon transfer to investment properties and related deferred taxation in arriving at "adjusted profit attributable to the Company's shareholders". A reconciliation of profits is as follows:

	2008 HK\$'000	2007 HK\$'000
Profit attributable to the Company's shareholders as shown in the consolidated income statement	63,297	965,497
Decrease (increase) in fair value of investment properties	620,641	(834,662)
Fair value increase on properties held for sale upon transfer to investment properties	(269,242)	—
Deferred tax on changes in fair value of investment properties	(38,337)	162,877
Effect of change in tax rate	(27,029)	(34,903)
Effect attributable to minority interests	(14,949)	17,046
Adjusted profit attributable to the Company's shareholders	<u>334,381</u>	<u>275,855</u>
Earnings per share excluding fair value changes on investment properties/properties held for sale upon transfer to investment properties net of deferred tax		
Basic	<u>HK\$0.52</u>	<u>HK\$0.46</u>
Diluted	<u>HK\$0.51</u>	<u>HK\$0.43</u>

The denominators used are the same as those detailed above for basic and diluted earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

21. Investment Properties

	Hong Kong held under long leases HK\$'000	Hong Kong held under medium- term leases HK\$'000	PRC held under long leases HK\$'000	PRC held under medium- term leases HK\$'000	Australia held under medium- term leases HK\$'000	New Zealand held under freehold HK\$'000	New Zealand held under long leases HK\$'000	New Zealand held under short-term leases HK\$'000	Total HK\$'000
AT FAIR VALUE									
At 1 January 2007	259,000	3,438,600	895,860	—	196,684	9,833	13,733	6,592	4,820,302
Exchange adjustments	—	—	73,170	—	21,915	1,016	1,164	332	97,597
Additions	—	—	4,305	—	—	75	—	—	4,380
Disposals	—	—	—	—	—	—	—	(3,895)	(3,895)
Fair value increase (decrease)	59,000	570,000	201,355	—	8,550	(1,214)	—	(3,029)	834,662
Transfer from properties held for sale	—	—	—	—	—	6,736	—	—	6,736
Transfer to property, plant and equipment	—	(7,000)	—	—	—	—	—	—	(7,000)
At 31 December 2007	318,000	4,001,600	1,174,690	—	227,149	16,446	14,897	—	5,752,782
Exchange adjustments	—	—	74,976	(1,671)	(44,400)	(1,712)	(3,416)	—	23,777
Additions (Note)	—	—	125,376	—	—	44	—	—	125,420
Fair value decrease	(110,000)	(430,000)	(40,442)	(5,222)	(21,250)	(12,397)	(1,330)	—	(620,641)
Transfer from properties held for sale	220,000	—	—	210,995	—	—	—	—	430,995
At 31 December 2008	428,000	3,571,600	1,334,600	204,102	161,499	2,381	10,151	—	5,712,333

Note: Included in additions represented distribution of properties located in the PRC of HK\$124,174,000 to the Group upon liquidation of Mingqiang during the year as set out in note 12. The amount represented the fair value of the investment property at the date of distribution.

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties of HK\$5,698,201,000 at 31 December 2008 (2007: HK\$5,751,182,000) had been arrived at on the basis carried out at that date by independent professional valuers as follows:

Properties situated in	Name of independent professional valuers
Hong Kong held under medium-term and long leases	Savills Valuation and Professional Services Limited
PRC held under long leases	Savills Valuation and Professional Services Limited
Australia held under medium-term leases	Colliers International Consultancy and Valuation Pty Limited

The above valuers are not connected with the Group. They are members of Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation was arrived by reference to market recent transaction prices for similar properties in the same locations and conditions or the basis of capitalisation of net income.

The fair values of the remaining investment properties of HK\$14,132,000 (2007: HK\$1,600,000) as at 31 December 2008 have been determined by the directors of the Group by reference to recent market prices for similar properties in the same locations and conditions.

Certain of the Group's investment properties are rented out under operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

22. Property, Plant and Equipment

	Properties under development HK\$'000 (Note)	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
COST							
At 1 January 2007	46,583	497	23,626	21,435	3,092	4,907	100,140
Exchange adjustments	—	(13)	804	1,467	14	111	2,383
Additions	64,415	—	604	11,562	93	100	76,774
Amortisation of prepaid lease payments capitalised	8,805	—	—	—	—	—	8,805
Disposals	—	—	(3,974)	(11,624)	(48)	—	(15,646)
Transfer from investment property	7,000	—	—	—	—	—	7,000
Disposal of a subsidiary	—	—	(1,377)	—	(2,942)	—	(4,319)
At 31 December 2007	126,803	484	19,683	22,840	209	5,118	175,137
Exchange adjustments	—	9	(1,462)	(2,575)	(69)	(5)	(4,102)
Reclassification	—	—	(1,942)	—	—	1,942	—
Additions	200,866	—	791	—	44	—	201,701
Amortisation of prepaid lease payments capitalised	8,606	—	—	—	—	—	8,606
Disposals	—	—	(1,688)	(519)	—	—	(2,207)
Disposal of subsidiaries	—	(357)	(295)	(259)	—	—	(911)
At 31 December 2008	336,275	136	15,087	19,487	184	7,055	378,224
DEPRECIATION							
At 1 January 2007	—	199	17,264	7,717	2,053	4,316	31,549
Exchange adjustments	—	(6)	547	354	7	56	958
Provided for the year	—	17	1,238	2,608	104	601	4,568
Eliminated on disposals	—	—	(1,841)	(3,209)	(28)	—	(5,078)
Disposal of a subsidiary	—	—	(1,221)	—	(2,014)	—	(3,235)
At 31 December 2007	—	210	15,987	7,470	122	4,973	28,762
Exchange adjustments	—	4	(1,249)	(637)	(35)	(3)	(1,920)
Reclassification	—	—	(828)	—	—	828	—
Provided for the year	—	4	778	4,153	31	606	5,572
Eliminated on disposals	—	—	(1,463)	(503)	—	—	(1,966)
Disposal of subsidiaries	—	(164)	(295)	(258)	—	—	(717)
At 31 December 2008	—	54	12,930	10,225	118	6,404	29,731
CARRYING VALUES							
At 31 December 2008	336,275	82	2,157	9,262	66	651	348,493
At 31 December 2007	126,803	274	3,696	15,370	87	145	146,375

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values at the following rates per annum:

Buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

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For the year ended 31 December 2008

22. Property, Plant and Equipment *(continued)*

The carrying values of properties shown above comprises:

	Properties under development		Buildings	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
In PRC held under long leases	—	—	82	86
In Hong Kong held under medium-term leases	336,275	126,803	—	—
In Indonesia held under long leases	—	—	—	188
	336,275	126,803	82	274

23. Prepaid Lease Payments

	2008 HK\$'000	2007 HK\$'000
Leasehold land in Hong Kong held under medium-term lease	358,647	367,253
Analysed for reporting purposes as:		
Current	8,607	8,805
Non-current	350,040	358,448
	358,647	367,253

Amortisation of prepaid lease payments during the year amounting to HK\$8,606,000 (2007: HK\$8,805,000) was capitalised to properties under development.

24. Properties for Development

	2008 HK\$'000	2007 HK\$'000
PROPERTIES IN THE PRC, AT COST		
Acquisition of leasehold land through acquisition of a subsidiary (Note 45(a))	13,901	—
Additional costs for acquisition of leasehold land	36,416	—
Exchange adjustments	315	—
	50,632	—
AMORTISATION		
Provided for the year and 31 December	(637)	—
CARRYING VALUE		
At 31 December	49,995	—

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For the year ended 31 December 2008

24. Properties for Development *(continued)*

Note:

At 31 December 2008, the risks and rewards of the leasehold land have been transferred to the Group in accordance with a binding agreement, notwithstanding the legal title of the land use rights have not yet been transferred to the Group.

The costs for acquisition of the land use rights are amortised on a straight-line basis over the term of leasehold land, i.e. 40 years.

25. Interests in Associates

	2008 HK\$'000	2007 HK\$'000
Investment cost — unlisted (Note)	96,990	96,990
Share of post-acquisition profits	4,724	3,213
Dividend received	(5,716)	(2,530)
Impairment loss recognised	(80,396)	(80,396)
Exchange adjustments	(5,090)	2,412
	10,512	19,689

Note: Included in the cost of investment in associates is goodwill of HK\$80,396,000 (2007: HK\$80,396,000) arising on acquisitions of associates in previous years.

Details of the Group's principal associates at 31 December 2008 and 2007, all of which are companies with limited liability, are as follows:

Name of associate	Form of business structure	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company		Principal activities
				2008	2007	
GSB Supplycorp Limited	Incorporated	New Zealand	Ordinary	50	50	Public sector e-procurement
Professional Service Brokers Limited	Incorporated	New Zealand	Ordinary	50	50	e-procurement management
Conexa Limited	Incorporated	New Zealand	Ordinary	50	50	e-commerce marketplace

The directors are of the opinion that a complete list of the particulars of all associates of the Group will be of excessive length and therefore the above list contains only the particulars of associates which principally affect the results or assets of the Group.

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For the year ended 31 December 2008

25. Interests in Associates *(continued)*

The summarised financial information in respect of the Group's associates is as follows:

	2008 HK\$'000	2007 HK\$'000
Total assets	31,691	48,296
Total liabilities	(10,667)	(8,918)
	21,024	39,378
Group's share of net assets of associates	10,512	19,689
Revenue	50,208	52,370
Profit for the year	3,022	4,082
Group's share of profit of associates for the year	1,511	2,041

26. Interests in Jointly Controlled Entities/Jointly Controlled Assets

Interests in jointly controlled entities

	2008 HK\$'000	2007 HK\$'000
Cost of unlisted investments in a jointly controlled entity	—	24,521
Share of post-acquisition losses	—	(24,521)
	—	—

As at 31 December 2007, the Group had interests in the following jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Form of business structure	Country of registration/operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activity
成都岷強房地產開發有限公司 (Chengdu Mingqiang Real Estate Co., Ltd.)	Equity joint venture	PRC	US\$6,000,000	50	Property investment

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For the year ended 31 December 2008

26. Interests in Jointly Controlled Entities/Jointly Controlled Assets *(continued)*

Interests in jointly controlled assets

At 31 December 2007, the Group had a joint venture agreement in the form of a jointly controlled asset to develop a carpark in New Zealand. The Group has 55% interest in the joint venture and accounted for the interest in carpark as properties held for sales. During the year, the Group and the other joint venture partner decided to terminate the joint venture agreement. Upon the termination of the joint venture arrangement, the Group acquired the remaining 45% interest of carpark, other related assets and assumed related liabilities with net carrying value of HK\$33,120,000. The net assets acquired mainly include 45% interest of carpark and bank borrowings of HK\$74,834,000 and HK\$41,435,000, respectively. The consideration was satisfied by the waiver of a receivable due from the joint venture partner at the same amount.

The aggregate amounts recognised in the consolidated financial statements in relation to the Group's interests in jointly controlled assets are as follows:

	2008 HK\$'000	2007 HK\$'000
Total assets	—	73,959
Total liabilities	—	(76,567)
Income	(304)	(282)
Expenses	2,407	2,890

27. Club Memberships

	2008 HK\$'000	2007 HK\$'000
Club memberships (at cost less impairment): Unlisted	8,574	8,574

The directors of the Company are of the opinion that the Group would derive benefits from the use of club memberships continuously and therefore is considered as having an indefinite useful life. The club memberships will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Notes to the Consolidated Financial Statements

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28. Loans Receivable

	2008 HK\$'000	2007 HK\$'000
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	11,222	62,295
Non-current assets (receivable after 12 months from the balance sheet date)	86,463	125,235
Less: Allowance for loans receivable	—	(21,232)
	97,685	166,298

The loans receivable represented second mortgage loans receivable which are secured by certain leasehold properties in Hong Kong and New Zealand, carried interest at Hong Kong Prime Rate or fixed at 10% to 15% per annum, respectively, and are repayable in accordance with their respective repayment terms. Before granting a new loan, the Group uses an internal credit assessment system to assess each potential debtor's credit quality and defines credit limits by customers. The Group has minimal loans receivable balances which are past due but not impaired at the balance sheet date as these debtors have good repayment history. The average loan period granted in respect of these loan receivables is 1-20 years (2007: 1-20 years). No single loan receivable is individually material.

The loans are receivable as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	11,222	41,063
In more than one year but not more than two years	4,033	6,029
In more than two years but not more than three years	4,013	4,940
In more than three years but not more than four years	4,013	5,274
In more than four years but not more than five years	4,013	5,629
In more than five years	70,391	103,363
	97,685	166,298

The effective interest rates of loans receivable are 5.8% to 10.5% (2007: 6.5% to 10.0%) per annum.

In determining the recoverability of loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to and including balance sheet date. The concentration of credit risk is limited due to the customer base being large and unrelated.

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For the year ended 31 December 2008

28. Loans Receivable *(continued)*

Movement in the allowance for doubtful debts for loans receivable:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	21,232	10,000
Impairment losses recognised on receivables	—	11,232
Amounts written off as uncollectible	(21,232)	—
Balance at end of the year	—	21,232

At 31 December 2007, included in the allowance for doubtful debts we are individually impaired loans receivable with an aggregate balance of HK\$21,232,000 which had been overdue for at least six months and hence the management considered this balance was irrecoverable.

The Group has not provided for impairment loss for the remaining loans receivable balances as the amounts are considered recoverable.

29. Properties Held for Sale/Properties Under Development Held For Sale

The Group's properties held for sale of HK\$395,262,000 (2007: HK\$353,609,000), HK\$139,323,000 (2007: HK\$196,744,000) and HK\$210,348,000 (2007: HK\$15,417,000) are situated in Hong Kong, New Zealand and the PRC respectively. The Group's properties held for sale situated in New Zealand are held under freehold. All other properties are held under medium to long term leases.

The Group's properties under development held for sale of HK\$593,967,000 (2007: HK\$1,474,148,000), HK\$44,530,000 (2007: HK\$133,238,000) and Nil (2007: HK\$259,763,000) are situated on Hong Kong, New Zealand and the PRC respectively. The Group's properties under development held for sale situated in New Zealand are held under freehold. All other properties under development held for sale are held under medium to long term leases.

Included in the Group's properties under development held for sale are HK\$593,967,000 (2007: HK\$588,275,000) which are expected to be recovered more than twelve months after the balance sheet date.

30. Held for Trading Investments

	2008 HK\$'000	2007 HK\$'000
Equity securities listed in overseas (at fair value)	51	398

Investments in listed equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

31. Receivables, Deposits and Prepayments

	2008 HK\$'000	2007 HK\$'000
Trade receivables	4,354	3,009
Other receivables, deposits and prepayments	165,500	342,620
Less: Allowance for other receivables	(488)	(488)
	169,366	345,141

The Group has a policy of allowing an average credit period of 1 to 3 months to its trade customers.

Before accepting any customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customers. The Group does not have significant trade receivables which are past due but not impaired at the balance sheet date as these debtors have good repayment history.

Movements in the allowance for doubtful debts for other receivables:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	488	74
Impairment losses recognised	—	414
Balance at end of the year	488	488

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK\$488,000 (2007: HK\$488,000) which has been overdue for at least six months and hence the management considers this balance is irrecoverable. The Group has not provided for impairment loss for the remaining other receivable balances as the amounts are considered recoverable. The Group does not hold any collateral over these balances.

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

	2008 HK\$'000	2007 HK\$'000
0 to 60 days	3,776	2,605
61 to 90 days	222	214
91 to 365 days	356	89
Over 365 days	—	101
	4,354	3,009

Notes to the Consolidated Financial Statements

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32. Amounts due from Jointly Controlled Entities/Minority Shareholders

Amounts are unsecured, interest-free and recoverable within one year.

33. Pledged Bank Deposits

The amount represents deposits pledged to banks to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rates ranging from 0.4% to 8.7% (2007: 4.0% to 5.0%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

34. Restricted Bank Balances and Deposits

Bank deposits of HK\$12,300,000 (2007: HK\$134,240,000), being proceeds received upon the pre-sale of certain units of a property under development held for sale, are placed in several banks and to be used solely for tax payment and settlement of the construction cost of the related property. The bank deposits carry fixed interest rates ranging from 0.4% to 1.5% (2007: 0.7% to 1.5%) per annum.

Bank deposits of HK\$135,022,000 (2007: Nil) that is denominated in United States dollars, being the capital of a PRC subsidiary under the process of winding up, are restricted to be used until the said winding up process has been completed. The bank deposits carry fixed interest rates ranging from 0.1% to 1.2% per annum.

35. Bank Balances and Cash

Bank balances and deposits comprise cash held by the Group and short-term bank deposits which carry fixed interest rates ranging from 0.1% to 8.3% (2007: 3.8% to 7.0%) per annum with an original maturity of three months or less.

The Group's bank balance and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 HK\$'000	2007 HK\$'000
Hong Kong dollars	4,377	—
United States dollars	—	133,472

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

36. Payables, Deposits Received and Accrued Charges

	2008 HK\$'000	2007 HK\$'000
Trade payables	12,672	70,877
Other payables, deposits received and accrued charges	266,202	345,844
	278,874	416,721

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

	2008 HK\$'000	2007 HK\$'000
0 to 60 days	12,661	70,855
61 to 90 days	—	6
91 to 365 days	11	16
	12,672	70,877

37. Provisions

	Rehousing compensation HK\$'000	Rental guarantee HK\$'000	Total HK\$'000
At 1 January 2007	14,881	267	15,148
Exchange adjustments	1,084	13	1,097
Payment for the year	—	(280)	(280)
At 31 December 2007	15,965	—	15,965
Exchange adjustments	900	—	900
Utilised during the year	(10,058)	—	(10,058)
Payment for the year	—	—	—
At 31 December 2008	6,807	—	6,807

The provisions for rehousing compensation represent the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale by the Group in the PRC and the estimated cost for the permanent relocation of certain Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements. During the year ended 31 December 2008, some of the compensation arrangements have been settled with Affected Owners by transferring to them certain units of the Group's properties held for sale. In the opinion of the directors, the remaining compensation is expected to be paid within one year, depending on the progress of negotiations with the Affected Owners.

Notes to the Consolidated Financial Statements

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37. Provisions *(continued)*

The provision for rental guarantee represented the estimated rental compensation to be paid to purchasers of the disposed investment properties until the time the properties were being leased out by the purchasers up to a maximum period of 36 months from the date of disposal of the properties in accordance with the sales and purchases agreements signed with the purchasers. The rental guarantee was fully settled in the prior year.

38. Amounts due to Minority Shareholders

Amounts at 31 December 2008 of HK\$80,602,000 (2007: HK\$87,177,000) are unsecured, interest-free and repayable within twelve months from balance sheet date.

Amount at 31 December 2007 of HK\$6,492,000 was unsecured, interest-free and was fully repaid during the year.

39. Bank Borrowings

	2008 HK\$'000	2007 HK\$'000
Bank loans		
— secured	2,798,687	2,856,236
— unsecured	165,000	—
Total	<u>2,963,687</u>	<u>2,856,236</u>
The borrowings are repayable as follows:		
On demand or within one year	1,651,241	1,991,549
More than one year, but not exceeding two years	59,398	64,395
More than two years, but not exceeding three years	884,457	47,129
More than three years, but not exceeding four years	44,951	674,143
More than four years, but not exceeding five years	50,724	11,845
More than five years	272,916	67,175
Total	2,963,687	2,856,236
Less: Amounts due for settlement within 12 months shown under current liabilities	<u>(1,651,241)</u>	<u>(1,991,549)</u>
Amounts due for settlement after 12 months	<u>1,312,446</u>	<u>864,687</u>

The effective interest rates of the borrowings are ranging from 2.7% to 8.4% (2007: 4.7% to 11.4%) per annum.

Notes to the Consolidated Financial Statements

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39. Bank Borrowings *(continued)*

The carrying amounts of the Group's borrowings are analysed as follows:

Bank loans denominated in	2008 HK\$'000	2007 HK\$'000	Interest rate
Hong Kong dollars	2,153,715	1,982,809	Hong Kong Interbank Money Market Offer Rate plus 0.45% to 1.2% (2007: plus 0.5% to 0.67%)
	—	80,000	Hong Kong Prime Rate minus 2%
Renminbi	176,347	273,951	5% premium (2007: 10% discount) on People's Bank of China lending rate
	340,170	64,074	People's Bank of China lending rate
Australian dollars	96,482	122,665	7.25%
New Zealand dollars	196,973	282,618	90 days bank bill rate plus 1.1% to 2.5%
Indonesian Rupiah	—	50,119	7.7% to 8.4%
	<u>2,963,687</u>	<u>2,856,236</u>	

The Group's bank borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	Hong Kong dollars HK\$'000
As at 31 December 2008	—
As at 31 December 2007	80,000

40. Derivative Financial Liability

Major terms of the interest rate swap are as follows:

Notional amount	Maturity	Swap
AUD17,983,000	19 December 2011	— Pays 7.25% — Receives Bank Bill Swap Bid Rate plus 0.75 margin

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41. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Fair value of investment properties HK\$'000	Rental income (Note) HK\$'000	Tax Others HK\$'000	losses HK\$'000	Total HK\$'000
At 1 January 2007	42,671	544,998	—	8,903	(46,604)	549,968
Exchange adjustments	2,590	15,364	—	350	(3,322)	14,982
Charge (credit) to consolidated income statement for the year	6,693	162,877	—	(327)	1,835	171,078
Credit to equity for the year	—	—	—	(8,551)	—	(8,551)
Effect of change in tax rate	—	(34,903)	—	—	—	(34,903)
At 31 December 2007	51,954	688,336	—	375	(48,091)	692,574
Exchange adjustments	(8,943)	1,030	106	1,032	9,814	3,039
Charge (credit) to consolidated income statement for the year	(36)	(38,337)	12,403	(4,843)	(7,140)	(37,953)
Effect of change in tax rate	(894)	(27,029)	—	(66)	500	(27,489)
At 31 December 2008	42,081	624,000	12,509	(3,502)	(44,917)	630,171

Note: It represented temporary difference between effective rental income recognised in accounting profit and actual rental income recognised in taxable profit.

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31 December 2008, the Group has unused tax losses of HK\$570,727,000 (2007: HK\$831,528,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$190,870,000 (2007: HK\$172,201,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$379,857,000 (2007: HK\$659,327,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

At 31 December 2008, the Group has deductible temporary differences in respect of properties of HK\$126,596,000 (2007: HK\$40,133,000). No deferred tax asset has been recognised in relation to of such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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42. Share Capital

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Nominal value	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of year	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of the year	602,827,170	583,102,364	60,283	58,310
Shares issued upon exercise of warrants	54,101,347	19,724,806	5,410	1,973
At end of the year	656,928,517	602,827,170	65,693	60,283

All the new shares issued during the year rank pari passu in all respects with the existing shares.

43. Warrants

In prior year, the Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK\$0.1 each of the Company at a subscription price of HK\$1.38 per share, subject to anti-dilutive adjustment, until 3 December 2008. Each unit of warrant can be converted into 2.3913 ordinary shares of the Company. At 31 December 2007, the aggregate par value of shares issuable against 22,766,000 units of outstanding warrants amounted to HK\$5,443,000 and the amount receivable by the Company upon full exercise of the warrants amounted to HK\$75,127,000.

During the year, 54,101,000 (2007: 19,725,000) new shares of HK\$0.1 each in the Company were issued at a price of HK\$1.38 per share upon the exercise of 22,624,000 (2007: 8,249,000) units of warrants. The subscription money of HK\$74,660,000 (2007: HK\$27,221,000) has been received in full upon the exercise.

The remaining 142,000 units of warrants have been expired during the year. At 31 December 2008, there was no warrant outstanding.

Notes to the Consolidated Financial Statements

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44. Disposals of Subsidiaries

- (a) On 29 August 2008, the Group disposed of its entire interest in each of P.T. Catur Marga Utama and P.T. Sumber Kencana Graha ("CMU" and "SKG" respectively), representing 52% of issued share capital of CMU and SKG, to independent third parties, for a net consideration of HK\$114,636,000. The net liabilities of CMU and SKG at the date of disposal were as follows:

	HK\$'000
Net liabilities disposed of (Note 1)	(47,428)
Minority interests	(9,064)
Translation reserve realised	66,311
Gain on disposal of subsidiaries (after deducting expenses)	104,817
	114,636
Consideration settled by:	
Net consideration satisfied by cash (Note 2)	92,301
Consideration receivables	22,335
	114,636
Cash inflow (outflow) arising on disposal:	
Cash consideration (after deducting expenses)	92,301
Bank balances and cash disposed of	(2,307)
	89,994

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the periods prior to the disposals.

Notes:

- (1) Net liabilities disposed of include various pieces of land situated in Indonesia held by CMU and SKG for developing of residential housing estate, bank balances and cash and bank borrowings.
- (2) Net consideration consisted of cash consideration net of incremental costs directly attributable to the disposal.

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44. Disposals of Subsidiaries *(continued)*

- (b) On 8 August 2007, the Group disposed of its entire interest in UniMilo's Knitwear Company Limited ("UniMilo"), representing 60% of issued share capital of UniMilo, to the minority shareholder for a consideration of HK\$2,760,000. The net assets of UniMilo at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	1,084
Inventories	317
Receivables, deposits and prepayments	1,741
Bank balances and cash	5,142
Payables, deposits received and accrued charges	<u>(1,869)</u>
	6,415
Minority interest	<u>(2,566)</u>
	3,849
Loss on disposal of a subsidiary	<u>(1,089)</u>
Total consideration satisfied by cash	<u>2,760</u>
Cash inflow (outflow) arising on disposal:	
	2007
	HK\$'000
Cash consideration	2,760
Bank balances and cash disposed of	<u>(5,142)</u>
	<u>(2,382)</u>

The subsidiary disposed of during last year contributed HK\$10,695,000 to the Group's turnover and HK\$1,154,000 to the Group's profit.

For the year ended 31 December 2007, the subsidiary disposed of contributed HK\$3,119,000 to the Group's net operating cash flows.

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45. Acquisition of a Subsidiary

- (a) The Group acquired 91% equity interest in 黃山市徽州區楓丹白露投資開發有限公司 (“楓丹白露”) (Huangshan City Huizhou District Feng Dan Bailu Investment and Development Company Limited “Feng Dan Bailu”). The acquisition is accounted as acquisition of assets and related liabilities. The leasehold land is held by 楓丹白露 (Feng Dan Bailu) for property development purpose.

	楓丹白露 (Feng Dan Bailu) HK\$'000
<hr/>	
Net assets acquired:	
Properties for development	13,901
Bank balances and cash	1
Payables, deposits received and accrued charges	<u>(8,396)</u>
	5,506
Minority interest	<u>(198)</u>
	<u>5,308</u>
Total consideration satisfied by:	
Cash consideration	<u>5,308</u>
Net cash inflow (outflow) arising on acquisition:	
Bank balances and cash acquired	1
Cash consideration paid	<u>(5,308)</u>
	<u>(5,307)</u>

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45. Acquisition of a Subsidiary *(continued)*

- (b) On 12 March 2007, the Group acquired a development property in New Zealand and its related assets and liabilities, at a consideration of approximately HK\$26.9 million. The purchase was by way of acquisition of the entire issued share capital of Waterside Business Centre Limited ("Waterside"). This transaction has been reflected as a purchase of assets and liabilities.

	HK\$'000
Net assets acquired:	
Properties under development held for sale	46,206
Receivables, deposits and prepayments	3,755
Bank balances and cash	30
Payables, deposits received and accrued charges	(40)
Bank borrowings	(23,079)
	<u>26,872</u>
Total consideration satisfied by:	
Other loans receivable (Note)	<u>26,872</u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u>30</u>

Note: The consideration was fully satisfied by the waiver of the Group's other loans receivable from the shareholder of Waterside as at the date of the acquisition.

46. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2008, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,622	3,396
In the second to fifth years inclusive	—	1,175
	<u>1,622</u>	<u>4,571</u>

Leases are negotiated for the range of 1 to 2 years (2007: 1 to 2 years) with fixed monthly rentals.

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For the year ended 31 December 2008

46. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

Certain of the Group's investment properties were leased out under operating leases. Properties under development held for sale are temporarily leased.

Certain properties under development held for sale are temporarily leased with rental income earned during the year of HK\$12,960,000 (2007: HK\$12,960,000) included in other income.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 HK\$'000	2007 HK\$'000
Within one year	229,782	184,841
In the second to fifth years inclusive	489,973	460,417
Over five years	798,600	747,823
	1,518,355	1,393,081

One of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

The remaining lease terms of the leased properties are ranging from 1 to 18 years (2007: 1 to 19 years).

47. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of expenditure to be incurred on properties in Hong Kong.

	2008 HK\$'000	2007 HK\$'000
Authorised but not contracted for	132,906	142,780
Contracted for but not provided for	113,137	278,703

48. Pledge of Assets

At 31 December 2008, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group:

- Fixed and floating charges on investment properties with an aggregate carrying value of HK\$4,747,208,000 (2007: HK\$5,751,182,000).
- Fixed and floating charges on properties under development held for sale with an aggregate carrying value of HK\$638,497,000 (2007: HK\$1,607,386,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

48. Pledge of Assets *(continued)*

- (c) Fixed and floating charges on properties under development with an aggregate carrying value of HK\$336,275,000 (2007: HK\$126,803,000).
- (d) Prepaid lease payments with an aggregate carrying value of HK\$358,647,000 (2007: HK\$317,554,000).
- (e) Fixed and floating charges on properties held for sale with aggregate carrying value of HK\$139,323,000 (2007: HK\$419,943,000).
- (f) Bank deposits of HK\$202,644,000 (2007: HK\$420,277,000).
- (g) Unlisted shares of certain subsidiaries with assets which principally comprised of investment properties, properties under development held for sale, properties under development, prepaid lease payments and properties held for sale included in (a), (b), (c), (d) and (e) above.

49. Share-based Payments

The Company operates an employee share option scheme (the "Old Scheme") for the primary purpose of providing incentive to directors and eligible employees. The Old Scheme was approved and adopted on 23 June 2000, which has been effective until 22 June 2010. Under the Old Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

The Old Scheme was terminated on 19 August 2005 but its terms remain in full force and effect in respect of the outstanding options previously granted.

The Company's new share option scheme adopted by the shareholders pursuant to a resolution passed on 19 August 2005 (the "New Scheme") is for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 18 August 2015. Under the New Scheme, the Board of directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the New Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company being issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

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49. Share-based Payments (continued)

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$10 per option. An option may be exercised in accordance with the terms of the New Scheme at any time during the effective period of the New Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

Details of the share options granted under the Old Scheme and the New Scheme during the two years ended 31 December 2008 to subscribe for the shares in the Company are as follows:

2008

Granted to	Date of grant	Vesting period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of shares comprised in options at 1 January 2008	Granted	Number of shares comprised in options at 31 December 2008
Old Scheme							
Directors	4.12.2000	—	4.12.2000-31.12.2010	1.44	3,000,000	—	3,000,000
New Scheme							
Directors	31.12.2008	—	31.12.2008-30.12.2010	2.262	—	31,160,281	31,160,281
	31.12.2008	31.12.2008-30.12.2009	31.12.2009-30.12.2011	2.262	—	1,313,856	1,313,856
					—	32,474,137	32,474,137
Employees	31.12.2008	—	31.12.2008-30.12.2011	2.262	—	6,290,000	6,290,000
	31.12.2008	31.12.2008-30.12.2009	31.12.2009-30.12.2011	2.262	—	150,000	150,000
	31.12.2008	31.12.2008-29.6.2010	30.6.2010-29.6.2012	2.262	—	210,000	210,000
	31.12.2008	31.12.2008-30.12.2010	31.12.2010-30.12.2012	2.262	—	3,400,000	3,400,000
	31.12.2008	31.12.2008-29.6.2011	30.6.2011-29.6.2013	2.262	—	500,000	500,000
	31.12.2008	31.12.2008-30.12.2011	31.12.2011-30.12.2013	2.262	—	100,000	100,000
	31.12.2008	31.12.2008-29.6.2012	30.6.2012-29.6.2014	2.262	—	670,000	670,000
	31.12.2008	31.12.2008-30.12.2012	31.12.2012-30.12.2014	2.262	—	1,010,000	1,010,000
	31.12.2008	31.12.2008-29.6.2013	30.6.2013-29.6.2015	2.262	—	1,330,000	1,330,000
					—	13,660,000	13,660,000
				Total	3,000,000	46,134,137	49,134,137
				Exercisable at year end	3,000,000		40,450,281

2007

Granted to	Date of grant	Vesting period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of shares comprised in options at 1 January 2007	Granted	Number of shares comprised in options at 31 December 2007
Old Scheme							
Directors	4.12.2000	—	4.12.2000 — 31.12.2010	1.44	3,000,000	—	3,000,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

49. Share-based Payments *(continued)*

No share option were exercised or cancelled during the year.

46,134,137 (2007: Nil) options were granted on 31 December 2008. The estimated fair values of the options granted to directors and employees on that date are HK\$10,014,000 and HK\$4,307,000 respectively.

The closing prices of the Company's shares immediately preceding the date of the grant of 31 December 2008 was HK\$2.25.

The directors determined the fair value of the share options with reference to the calculation of the fair value of the granted share options made by an independent professional valuer. The fair value was calculated using the Binominal Option Pricing model. The inputs in the model were as follows:

Share price as at grant date:	HK\$2.260
Exercise price:	HK\$2.262
Expected volatility:	29.953% — 35.083%
Expected dividend yield:	6.19%
Risk-free rate:	0.539% — 1.189%
Suboptimal factor:	2.64

Expected volatility was determined by using the historical volatility of the Company's share price before the grant date for previous three years. The suboptimal factor was to account for the exercise behaviour of the share options granted by the Company. The variables and assumptions used in comprising the fair value of a share option are based on directors' best estimate.

50. Retirement Benefit Plans

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

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For the year ended 31 December 2008

50. Retirement Benefit Plans *(continued)*

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs or HK\$1,000 per month to the scheme which contribution is matched by the employee, depending on the length of service with the Group.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC.

The total cost charged to consolidated income statement of HK\$3,889,000 (2007:HK\$3,255,000) represents contribution paid to the retirement benefit schemes by the Group in respect of the current year. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. Forfeited contributions for the year amounting to HK\$984,000 (2007: HK\$175,000) has been used to reduce the level of contributions.

51. Related Party Transactions

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008 HK\$'000	2007 HK\$'000
Short-term benefits	18,916	63,311
Post-employment benefits	1,819	1,395
Share-based payment expenses	9,602	—
	30,337	64,706

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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For the year ended 31 December 2008

52. Major Non-cash Transactions

- (a) As set out in note 12, the liquidation of Mingqiang has resulted in the distribution of investment properties of HK\$124,174,000 together with bank borrowings of HK\$55,435,000 to the Group and waiver of amount due from Mingqiang of HK\$16,942,000.
- (b) As mentioned in note 26, a joint venture agreement has been terminated during the year, remaining assets and liabilities of the joint venture with net assets value of HK\$33,120,000, which mainly included interest in properties held for sale of HK\$74,834,000 and bank borrowings of HK\$41,435,000 have been transferred to a the Group at a consideration of HK\$33,120,000 satisfied by the waiver of a receivable from the joint venture partner.
- (c) As disclosed in note 37, some of the provisions for rehousing compensation were settled with the Affected Owners during the year by transferring to them certain units of the Group's properties held for sale.

53. Principal Subsidiaries

Details of the principal subsidiaries, all of which are companies with limited liability, at 31 December 2008 and 2007 are set out below:

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued share capital/ registered capital held by the Company		Principal activities
			2008	2007	
Direct subsidiaries					
Chisel Limited	The British Virgin Islands ("B.V.I.")/ Republic of Indonesia	2 ordinary shares of US\$1 each	100	100	Investment holding
SEABO Pacific Limited	Bermuda/ The People's Republic of China ("PRC")	767,919 ordinary shares of HK\$1 each	100	100	Investment holding
South-East Asia Investment And Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	100	Investment holding

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For the year ended 31 December 2008

53. Principal Subsidiaries *(continued)*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued share capital/ registered capital held by the Company		Principal activities
			2008	2007	
Indirect subsidiaries					
AGP (Diamond Hill) Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Property development
AGP (Sha Tin) Limited	Hong Kong	1 ordinary share of HK\$1	97	97	Property development
AGP (Wanchai) Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Property development and investment
AGP Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Property investment
Asian Growth Properties Limited	B.V.I./ Hong Kong	886,347,812 ordinary shares of US\$0.05 each	97	97	Investment holding
Concord Way Limited	Hong Kong	100 ordinary shares of HK\$1 each	97	97	Hotel operation
Handy View Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Property investment
Harvest Hill Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Financing
Kingston Pacific Investment Limited	B.V.I./ Hong Kong	100 ordinary shares of US\$1 each	53	53	Property development
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	97	97	Treasury services
Shine Concord Investments Limited	Hong Kong	1 ordinary share of HK\$1	97	97	Hotel operation
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Hotel operation

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

53. Principal Subsidiaries (continued)

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective percentage of issued share capital/registered capital held by the Company		Principal activities
			2008	2007	
Indirect subsidiaries (continued)					
Sunfold Development Limited	Hong Kong	1 ordinary share of HK\$1	97	97	Hotel operation
Trans Tasman Properties Limited	New Zealand	154,194,592 shares of no par value	100	100	Investment holding
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	97	97	Property investment
成都華商房屋開發有限公司 (Chengdu Huashang House Development Co., Ltd.) ("Huashang")*	PRC	RMB200,000,000 registered capital	97	97	Property investment
廣州市盈發房產發展有限公司 (Guangzhou Yingfat House Property Development Co., Ltd.) ("Yingfat")**	PRC	US\$20,110,000 registered capital	97	97	Property development and investment
漢泰房地產開發(成都)有限公司 (Sino Harvest Real Estate Development (Chengdu) Company Limited) ("Sino Harvest")*	PRC	US\$3,000,000 registered capital	97	—	Property investment
黃山市徽州區楓丹白露投資開發有限公司 ("楓丹白露") (Huangshan City Huizhou District Feng Dan Bailu Investment and Development Company Limited) [#]	PRC	RMB35,000,000 registered capital	88	—	Property development

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53. Principal Subsidiaries *(continued)*

- * Huashang and Sino Harvest are wholly foreign owned enterprises.
- ** Yingfat was incorporated in the form of Sino-foreign co-operative joint venture. According to the shareholders' agreement of Yingfat, the PRC partner is entitled to the higher of a fixed sum of return or 5% of the profit generated from the related property development project as defined in the agreement. The Group has the full entitlement to the remaining of the profit generated.
- @ 楓丹白露 was established in the form of Sino-foreign equity joint venture.
- # This is only the English translation of the Chinese name of the entity which does not have an English name.

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities at the end of the year.

爪哇控股有限公司

S E A HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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