C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224

2008

ANNUAL REPORT 2008

Contents

Corporate Information

Directors

Executive directors
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Tsang Wai Choi *(Deputy Chairman)*
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Dr. Wong Kim Wing
Mr. Wu Hong Cho

Non-executive director
Mr. Wong Yat Fai

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

Audit Committee

Mr. Lam Kin Fung Jeffrey *(Chairman)*
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

Remuneration Committee

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

Authorised Representatives

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

Qualified Accountant

Mr. Leung Chun Cheong

Company Secretary

Ms. Cheung Fung Yee

Website

http://www.ccland.com.hk

Stock Code

1224

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

7th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

Branch Office

Rooms 3308-10
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Legal Advisors

Hong Kong
Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Bermuda
Conyers Dill & Pearman

Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

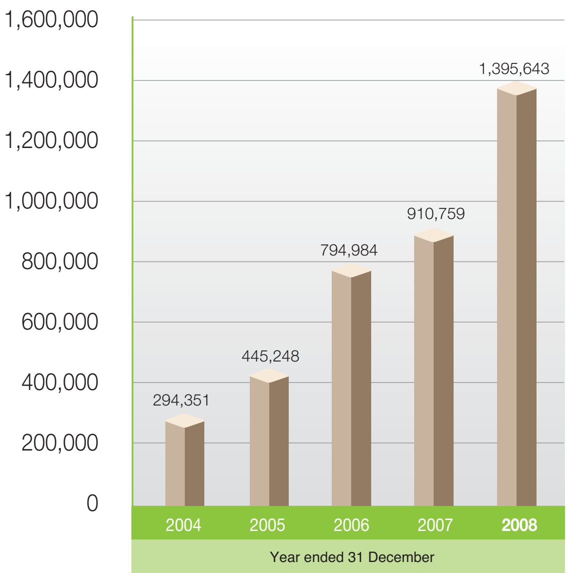
The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas
Bank of Chongqing Co., Ltd.
Bank of Communications Co., Ltd.

Share Registrars and Transfer Offices

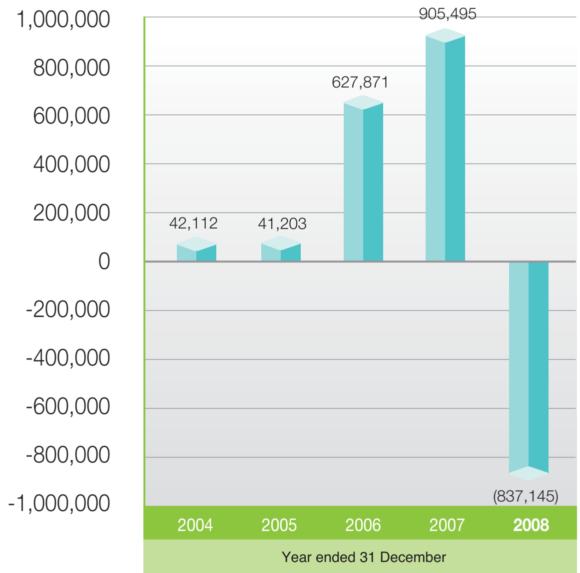
Principal share registrar and transfer office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

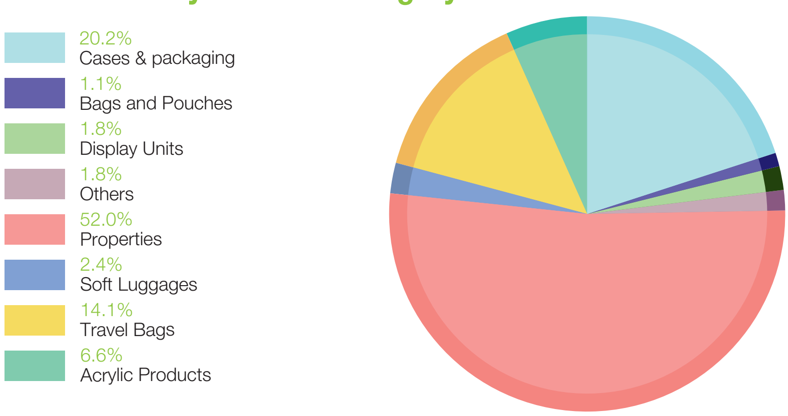
Turnover



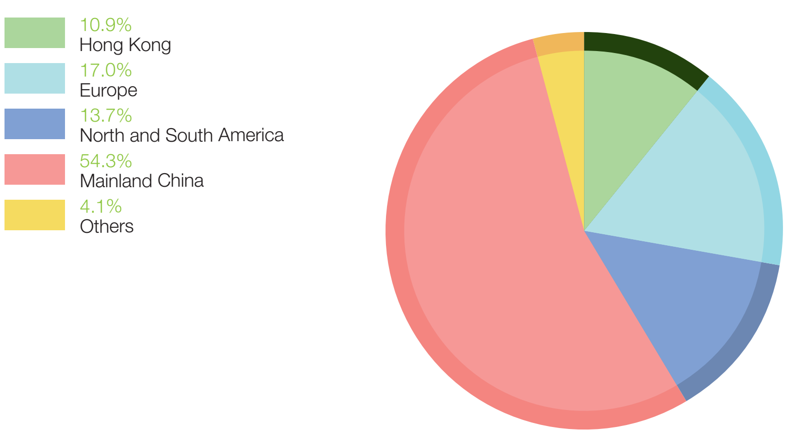
Profit/(Loss) attributable to equity holders of the Company



Group's Turnover by Product Category in 2008



Group's Turnover by Geographical Location in 2008



CORPORATE

Chongqing Zhong Yu

Name of Award:
CIHAF Reputable Chinese Enterprise Award 2008

Awarding Party:
China International Real Estate & Archi-tech Fairs
CIHAF China Mainstream Media Real Estate League

Date of Award:
December 2008

Name of Award:
China Real Estate Project Case Study • Leading Enterprise

Awarding Party:
China Real Estate Project Case Study Judging Committee
Chongqing Economic Times

Date of Award:
December 2008

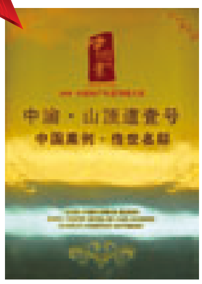
Name of Award:
4th Chongqing Real Estate Enterprise
Annual Ranking • Top 10 Leading Real Estate Enterprises

Awarding Party:
China Residential Real Estate Association
Chinese National Real Estate Federation
China Construction Industry Development Association
China Brand Research Centre
Chongqing Evening News

Date of Award:
December 2008

PROJECTS

No. 1 Peak Road



Name of Award:
China Real Estate Media Award
- China Case Study 2008
- Legendary Mansion

Awarding Party:
China Case Study Judging Committee
Chongqing Economic Times

Date of Award:
December 2008

Name of Award:
30th Anniversary of Economic Reform • Most Influential Landmark of Chongqing • High-rise Apartments

Awarding Party:
Chongqing Economic Times
Enterprise Research Institute, Chongqing Academy of Social Sciences
Tencent "cq.qq.com", Chongqing

Date of Award:
December 2008

Verakin New Park City

Name of Award:
Top 10 Villas • Annual Real Estate Ranking

Awarding Party:
Chongqing Morning News

Date of Award:
December 2008

Name of Award:
China Case Study • Garden Community

Awarding Party:
China International Urban Development Case Study Committee, Ministry of Housing and Urban-Rural Development of the People's Republic of China (MOHURD)
Chongqing Economic Times

Date of Award:
December 2007

California Garden

Name of Award:
30th Anniversary of Economic Reform • Most Influential Real Estate Brand of Chongqing

Awarding Party:
Chongqing Economic Times
Enterprise Research Institute, Chongqing Academy of Social Sciences
Tencent "cq.qq.com", Chongqing

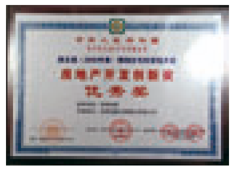
Date of Award:
December 2008

Sky Villa

Name of Award:
Gold Award, Chengdu Innovative Real Estate Projects 2007

Awarding Party:
The Real Estate Bureau of Chengdu

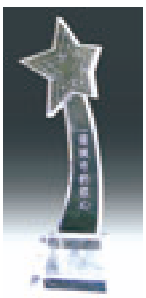
Date of Award:
January 2008



Name of Award:
The 5th Elite Residential Technology Award 2008
- Innovative Real Estate Development Award
- Certificate of Excellence

Awarding Party:
The Ministry of Science and Technology of the People's Republic of China
National Office for Science and Technology
Association of Real Estate, All-China Federation of Industry and Commerce
Beijing Elite Foundation for Housing Technology

Date of Award:
October 2008



Name of Award:
Chengdu Innovative Real Estate Project Award 2008

Awarding Party:
Chengdu Commercial Daily

Date of Award:
2008

Name of Award:
Chengdu Real Estate
- Top 10 Innovative Products 2008

Awarding Party:
Chengdu Commercial Daily
Approaching Weekend – Weekly Magazine
www.cdqss.com, Chengdu

Date of Award:
September 2008

Name of Award:
Most Innovative Villa Award 2008

Awarding Party:
Chengdu Media Group
Chengdu TV Station
www.01fangchan.com (No. 1 Real Estate Website)

Date of Award:
October 2008

2008

January 1

The Group obtained a HK$1.95 billion three-year term loan facility from a group of Hong Kong banks.

July 7

The Group delivered units of California One (加州壹號) in Chongqing to the buyers.

September 9

The Group launched its first project in Chengdu, Sky Villa (四海逸家) and enjoyed overwhelming response. About 90% of the first batch were pre-sold on the first day.

Sky Villa Launch Ceremony

Handover of No. 1 Peak Road

October 10

The Group delivered units of No. 1 Peak Road (山頂道壹號) in Chongqing to the buyers.

December 12

The Group laid foundation stone for Riverside, Wanzhou (濱江壹號) in Chongqing.

Riverside, Wanzhou Foundation Stone Laying Ceremony

Group I – Property Interest held by the Group under Development

Property Location	Intended usage	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	Group's Interest
Three parcels of land located to the south of Xingai Road, (Lot Nos. 15, 16 and 17-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Auxiliary Facilities and Car Park	243,200	865,000	2011 or after	100%
A site located to the east of Songpai Road, (Lot No. 9), Chongqing International Finance and Trade Development Area, Xingpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial and Car Park	81,300	365,000	2011 or after	100%
A site located to the southeast of the junction of Xingai Road and Nation Road No. 201, (Lot No. 10-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office, Hotel, Auxiliary Facilities and Car Park	103,400	394,000	2011-2012	100%
Three parcels of land (Lot No. 19), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	143,900	383,000	2011 or after	100%
A site located to the east of Nation Road No. 201, (Lot No. 3-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	47,900	301,000	2011 or after	100%

Group I – Property Interest held by the Group under Development *(Continued)*

Property Location	Intended usage	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	Group's Interest
A site located to the west of Nation Road No. 201, (Lot No. 4), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	96,900	597,000	2011 or after	100%
A site located in Longtoushi, (Lot No. 35), Renhe Zhutuen, Gaoxinyuan, Northern New District, Chongqing, PRC	Residential, Commercial, Office and Car Park	69,300	309,000	2010 or after	100%
Two sites (Lot No. 20 and Lot No. 11-1) located in Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	19,900	100,000	2011 or after	100%
A site (Lot No. 22) located in Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	5,300	20,000	2011 or after	100%
A site (Lot No. 7-1) located in Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	5,200	11,000	2011 or after	100%
A site located in Longta No. 3 and Longta No. 4 She, Longxi Street Zone, Yubei District, Chongqing, PRC	Residential, Commercial and Car Park	146,800	413,000	2011 or after	100%

Group I – Property Interest held by the Group under Development *(Continued)*

Property Location	Intended usage	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	Group's Interest
A site located in No. 1 Zhongxin Section, Huaxin Street, Jie Dao Qiao Bei Village, Jiangbei District, Chongqing, PRC	Residential	205,000	1,020,000	2011 or after	25%
A site located in New Park City, Chayuan, Nan'an District, Chongqing, PRC	Residential, Commercial and Car Park	622,200	1,477,000	2009–2017	51%
A site located in Jiangnan New District, Wanzhou District, Chongqing, PRC	Residential	150,000	397,000	2010 or after	100%
Three parcels of land located in Binjiang Road, Jinyabapian District, Office of Zi Tong Street, Tongnanxian, Chongqing, PRC	Residential and Commercial	173,300	867,000	2011 or after	100%
Three parcels of land located in Jin Quan Community District, Jin Ma Zhen, Wen Jiang District, Chengdu, Sichuan, PRC	Residential	370,000	865,000	2011 or after	50%
A site located in Xujia Town, Dujiangyan District, Chengdu, Sichuan, PRC	Residential	61,200	61,000	2011 or after	100%
Two parcels of land located in Jinjiang District, Chengdu, Sichuan, PRC	Residential	137,800	413,000	2010–2012	50%
A site located in Jintang County, Chengdu, Sichuan, PRC	Residential	1,060,100	2,226,000	2011 or after	60%
A site located in Pengshan County, Meishan, Sichuan, PRC	Residential	333,300	1,000,000	2011 or after	60%

Group I – Property Interest held by the Group under Development *(Continued)*

Property Location	Intended usage	Approximate Site Area (in sqm)	Approximate GFA to be Carried Forward or Under Development (in sqm)	Completion/ Expected Completion Date (Year)	Group's Interest
A site located in Tongchuan District, Dazhou, Sichuan, PRC	Residential	72,900	364,000	2011 or after	95%
A site located in Gaoxin District, Kunming, Yunnan, PRC	Residential and Commercial	18,900	62,000	2011	70%
A site located in Yutang Town, Dujiangyan District, Chengdu, Sichuan, PRC	Residential and Hotel	311,000	187,000	2011 or after	60%

Group II – Property Interest held by the Group for Investment

Property Location	Usage	Attributable GFA (sqm)	Occupancy Rate	Group's Interest
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial Residential Car parking spaces	22,060 3,866 15,646	53.3% 13.8% 100.0%	100% 100% 100%
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial Car parking spaces Auxiliary facilities	4,685 12,094 2,565	81.2% 100.0% 100.0%	100% 100% 100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car parking spaces	2,823	100.0%	100%
Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Commercial Car parking spaces	1,541 10,951	6.5% 100.0%	100% 100%
Chongqing International Finance and and Trade Development Area Underground Carpark, Longxi Town, Yubei District, Chongqing, PRC	Car parking spaces	8,236	–	100%

Group III – Property Interest held by the Group for Self-Occupation

Property Location	Usage	Tenure	Lot No.	Group's Interest
Flat No. 97 on 21st Floor, Tower 18 (of Parkview Corner), Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong and Car Parking Space No. 226 On Car Park Entrance 3 (Level 4) of the Garage of Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong	Residential	Long term lease	Rural Building No. 1051	100%
Unit K on 23rd Floor and Units A & L on 27th Floor, Shield Industrial Centre, Nos. 84-92 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	Industrial	Medium term lease	Tsuen Wan Inland Lot No. 43	100%
A piece of land and structures thereof located at Jie Min Administrative District, Sanjiao Town, Zhongshan City, Guangdong, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	100%
7th & 15th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Commercial	Long term lease	Inland Lot No. 3504	100%
An industrial complex situated at 2 Feng Yang Road, LiLi Town, Wujiang City, Jiangsu, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	60%
Education Building, California Primary School, California Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Composite Building, California Primary School, California Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Block 7, California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	Long term lease	N/A	100%
Huijingtai Kindergarten, Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%

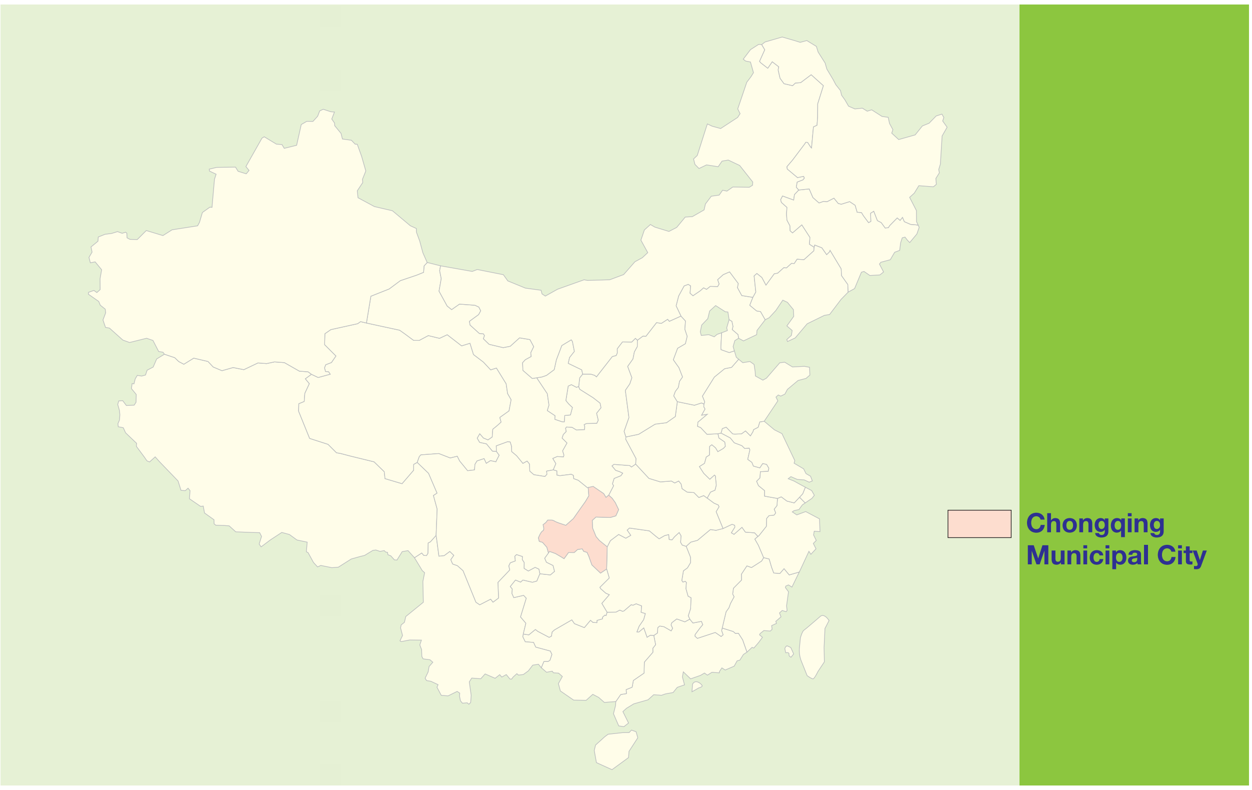
Chongqing

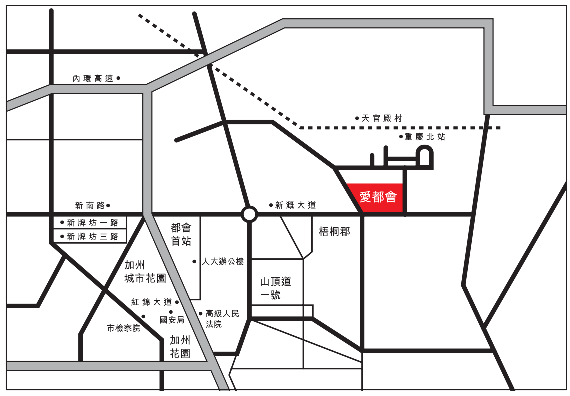
Area	:	82,000 km^2
Population	:	31,000,000
Location	:	Northeast to the Southwestern region of China, at the confluence of the Yangtze River and the Jiangling River

Chongqing is a renowned cultural city with a grandeur history. It became a directly controlled municipality in 1997. It is the highest populated city in China. Its GDP amounted to RMB509.7 billion in 2008, a yearly growth of 14.3%. Chongqing is the only transportation hub in Western China with transportation over land, air, and water, and it is strategically located at the focal area under the State's "Go West" policy. In June 2007, the National Committee of Development and Reform announced that Chongqing and Chengdu would be developed into the "State's Comprehensive Reform Experimental Areas" similar to Shenzhen of Guangdong province, New Pudong in Shanghai and Tianjin Coastal Area. Chongqing and Chengdu also represent the first reform experimental areas of this kind in Western China. In November 2008, the setting up of the Chongqing Lianglucuntan Bonded Area was confirmed in the official reply document Guo Han [2008] No.100 by the State Council. The first inland "Bonded Area" established in China covers an area of 8.37 square kilometers, comprising of the Cuntan Port, Jiangbei International Airport and the Export And Processing Region and adopts a model of "Sea Port and Air Port" to construct an inland bonded port area with "dual functions". This "Bonded Area" is the 17th bonded area in China, following the others such as Waigaoqiao and the Tianjin port. The setting up of the Chongqing Lianglucuntan Bonded Area will act as a new growth driver of the local economy and as the pioneer of the economic development of the western region in order to accelerate the socio-economic developments of Chongqing.

The turn of the century saw a new start for Chongqing. The famous Three Gorges Project and the development of resettlement in the reservoir area injected new energy to Chongqing. In addition, Chongqing has a strong economic and industrial background that boosts high versatility, and it is one of the oldest industrial bases in China. Its five core industries are automobile and motorcycle, chemistry and pharmacy, construction materials, food and tourism. Chongqing is also the production base of the third generation automobile in China.

Chongqing has developed a strong attraction in the areas of geography, humanities and social environment, making itself the metropolis with the highest investment potential in Western China.





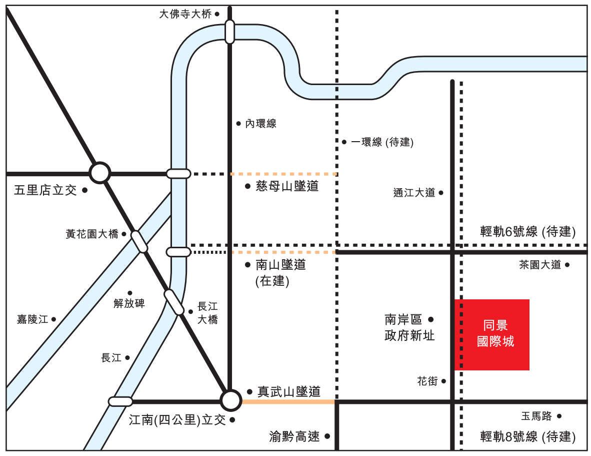
Project name:	i-City (愛都會) — 100% interest
Project location:	Xingai Road, Longtoushi, Yubei District, Chongqing
Total land area:	69,000 sqm
Project GFA:	GFA above ground: 246,000 sqm GFA under ground: 63,000 sqm Total GFA: 309,000 sqm
Expected completion date and area:	Phase 1: second quarter of 2010 GFA: 63,000 sqm
Project description:	The project is conveniently located near the Longtoushi Train Station and the Chongqing Cuntan Port. This area is the hub of the Chongqing railway and river transport, with heavy investment from the local government. A number of schools, supermarkets, shopping malls and offices have been built in the past years and the region has become a top grade commercial and residential area in the northern part of the city.

Construction Site of i-City

Virtual Perspective of i-City

The project caters to the young, modern and trendy customers. The entire project is divided by an inner commercial street into the south and north region. The north region consists of residential units and the south region is planned for commercial development.

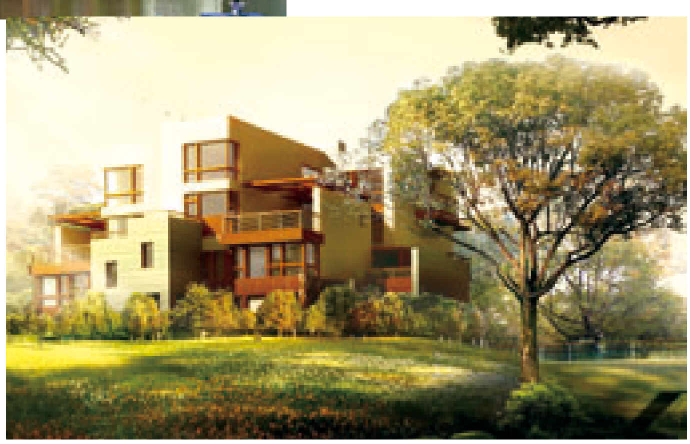
Project name:	Verakin New Park City (同景國際城) — 51% interest	
Project location:	Tongjiang Avenue, Chayuan, Nan'an District, Chongqing	
Total land area:	721,000 sqm	
Project GFA:	GFA above ground:	1,477,000 sqm
	GFA under ground:	212,000 sqm
	Total GFA:	1,689,000 sqm
Completed/Expected completion date and area:	A Zone (completed):	fourth quarter of 2007
	GFA:	104,000 sqm
	B Zone (completed):	second quarter of 2008
	GFA:	77,000 sqm
	G Zone:	fourth quarter of 2009
	GFA:	146,000 sqm
	H Zone:	first quarter of 2010
	GFA:	26,000 sqm
	I Zone:	third quarter of 2012
	GFA:	150,000 sqm
	Y Zone:	third quarter of 2013 to first quarter of 2015
	GFA:	57,000 sqm



Project description: The project is located at the Xincheng Region, Chayuan, Nan'an District, Chongqing, and is a highly regarded landscape and ecologic project with multi-functions. Tongluosan forms its natural barrier and protects the Chayuan New City District from the rowdy city area. Easy access to the city is maintained through the Zhenwusan Tunnel, Cimusan Tunnel, Nanshan Tunnel (under construction), the No. 6 Light Railway (under construction) and a number of ring road expressways.

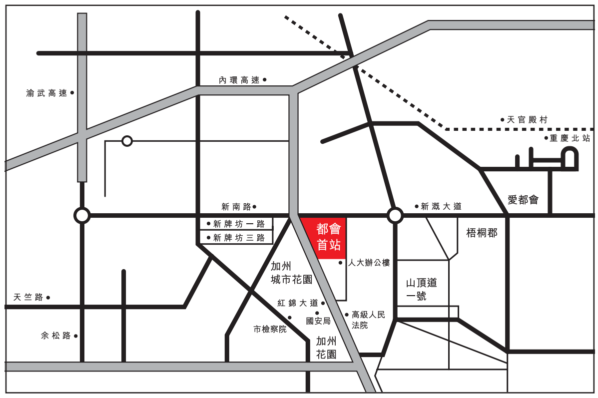
The total GFA of the project is more than 1,600,000 sqm, of which 72% is zoned for residential use and the rest for commercial development. The properties will comprise mainly of low-density low-rise apartments and town-houses. The project, which occupies 40% of the area of the core region of Xincheng Region, is in close proximity to the new government buildings in Nan'an District.

Verakin New Park City



Virtual Perspective of Verakin New Park City (Villa)

Project name:	Lot # 10-1（都會首站）— 100% interest
Project location:	Lot#10, California, Yubei District, Chongqing
Total land area:	103,000 sqm
Project GFA:	GFA above ground: 394,000 sqm GFA under ground: 107,000 sqm Total GFA: 501,000 sqm
Expected completion date and area:	Phase 1: second quarter to fourth quarter of 2011 GFA: 143,000 sqm Phases 2 to 3: third quarter of 2011 to second quarter of 2012 GFA: 251,000 sqm



Project description: The project is located at the core region of the Yubei District, at the junction of the main Hongjin Road and Xingai Road and has a total land area of approximately 103,000 sqm with a total GFA of approximately 501,000 sqm. Being within 5 minutes' ride to the Guanyinqiao Commercial Circle, the project will be serviced by the No. 3 Light Railway which is under construction and is expected to be in operation in 2010, thus providing easy accessibility to the new train terminal, airport and other parts of the city.

Virtual Perspective of Lot #10-1

The project is positioned as the central landmark with planned high-end residential apartments, a 5-star hotel, serviced apartments, Grade-A shopping mall and offices.

The planned GFA for residential purpose is approximately 100,000 sqm; for office building purpose approximately 105,000 sqm; for SOHO purpose approximately 35,000 sqm; for shopping mall purpose approximately 73,000 sqm; for hotel purpose approximately 50,000 sqm and for serviced apartments purpose approximately 31,000 sqm.

Virtual Perspective of Lot #10-1

Project name:	Phoenix County (梧桐郡) — 100% interest
Project location:	West side of Xingcheng Road, Yubei District, Chongqing
Total land area:	147,000 sqm
Project GFA:	GFA above ground: 356,000 sqm GFA under ground: 57,000 sqm Total GFA: 413,000 sqm
Expected completion date and area:	Phase 1: fourth quarter of 2011 GFA: 82,000 sqm

Project description: The project is located at the Longtoushi area, near the center of the “Big Triangle” of Wuhuangdaizhuaipan (五黃大轉盤), Xinpaifangzhuaipan (新牌坊轉盤) and the Longtoushi train station, connecting Xinpaifang, Qailanxi and Huangnibang, which are three high quality residential areas. It is also in close proximity to the Longtoushi Forest Park (under construction) of 700 mu in area.

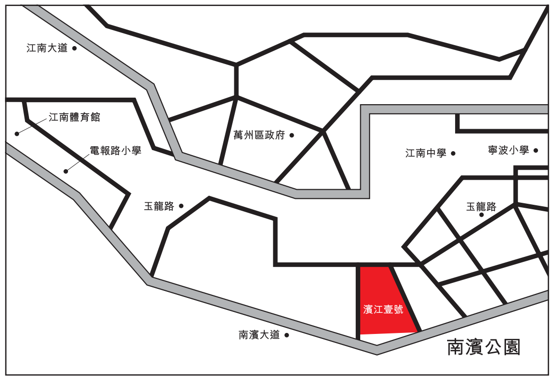
Site Plan of Phoenix County

The project includes mainly garden houses with unique features and has a specially designed shopping avenue. There will also be town-houses and several high-rise blocks. Extensive landscaping with plenty of trees will be a signature of this project to attract the home buyers.

Virtual Perspective of Phoenix County

Project Overview

Project name:	Riverside, Wanzhou (濱江壹號) — 100% interest
Project location:	Chenjiaba She No.1, Xinxing She No.4, She No.5, Jiangnan New District, Wanzhou, Chongqing
Total land area:	150,000 sqm
Project GFA:	GFA above ground: 351,000 sqm GFA under ground: 46,000 sqm Total GFA: 397,000 sqm
Expected completion date and area:	Phase 1: third quarter of 2010 GFA: 73,000 sqm



Project description: The project is located at the core region of the Wanzhou Jiangnan New District, Wanzhou, which is a county northeast of Chongqing. Wanzhou is located at the intersection of the middle and upper courses of the Yangtze River and the hinterland of the Three Gorges Area and is the second largest county in Chongqing with a population of over 1.7 million. Being the most populated among the 40 counties in Chongqing, Wanzhou serves as the most important river and land transportation and logistics hub in Chongqing for access to other major cities.

Riverside, Wanzhou Foundation Stone Laying Ceremony

The project occupies a land area of 150,000 sqm with a total GFA of approximately 397,000 sqm. The project will be built along the riverside with a stretch of one kilometer, maximizing the beautiful river view.

The project will be developed into a composite project with various commercial facilities, office and high-end residential apartments. Phase 1 is planned to include mainly town-houses with a low plot ratio of less than 2.0. Carparking space is in the ratio of 1:1.2, making the properties an ideal choice for own-use or investment. Upon its completion, it will become one of the top property upgrade choices in Wanzhou.

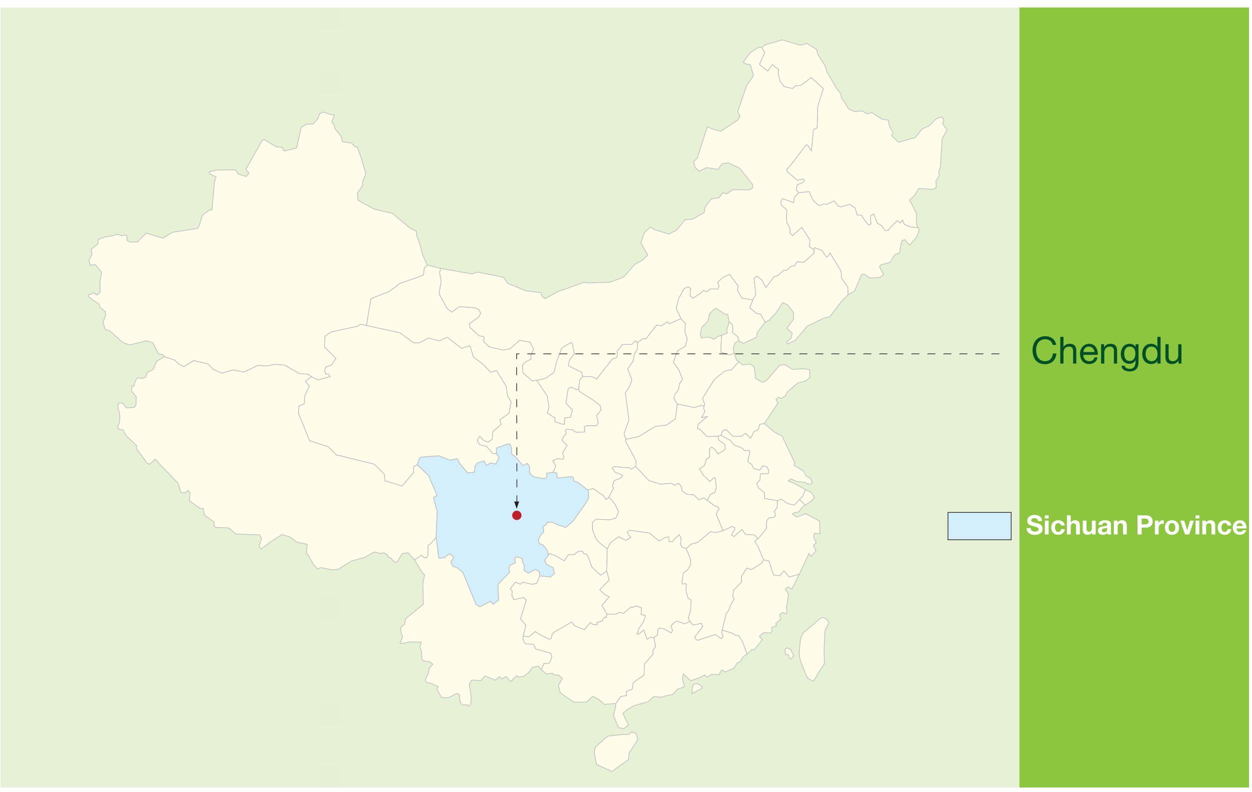
Virtual Perspective of Riverside, Wanzhou

Chengdu

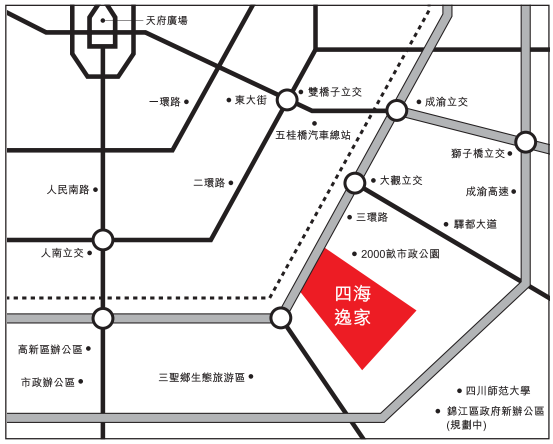
Area	:	12,390 km^2
Population	:	11,250,000
Location	:	Central part of Sichuan Province

Being the capital of the Sichuan Province, Chengdu is a renowned cultural city with over 2,000 years' history. With its prosperous agriculture and sophisticated craftsmanship industry, Chengdu is known as the "Land of Abundance". In June 2007, the National Development and Reform Commission announced that Chengdu and Chongqing would be developed into the "State's Comprehensive Reform Experimental Areas" similar to Shenzhen of the Guangdong Province, Pudong New Area of Shanghai and Tianjin Coastal Area. Chongqing and Chengdu are also the first reform experimental areas of this kind in Western China.

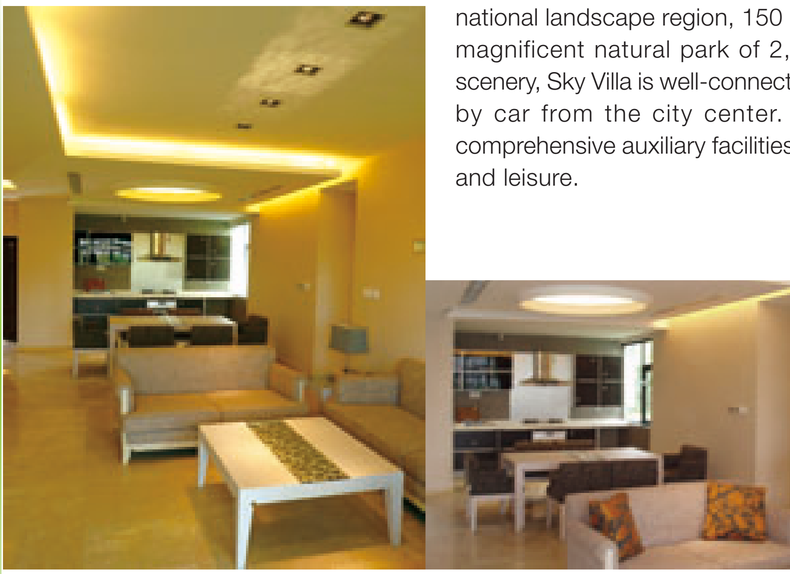
In 2007, Chengdu was named as one of the "Top 10 Economically Dynamic Cities of China", "Top 10 Commercial Cities of Mainland China", "Top 10 Most Competitive Cities in China" and "Best Travelling City in China". In 2008, Chengdu's GDP amounted to RMB390.1 billion, a growth of 12.1%. Despite the impacts from both the earthquakes and financial crisis, Chengdu has maintained its steady but fast economic development in the region. The government is taking a proactive role in its post-quake housing rebuilding policy for both urban and rural residents and promptly announced a series of salvation and relocation measures to establish an urban and rural housing rebuilding finance guarantee platform, and to play a leading role to direct financial institutions to strengthen the credit support and public funding to participate in the rebuilding.



Project name:	Sky Villa (四海逸家) — 50% interest	
Project location:	Zone 3 Liangfengcun and Zone 5 Fengfangyancun, Jinjiang District, Chengdu, Sichuan	
Total land area:	138,000 sqm	
Project GFA:	413,000 sqm	
Expected completion date and area:	Phase 1: GFA:	fourth quarter of 2010 65,000 sqm



Project description: The project is located at Nansanhuan, Jinjiang District, Chengdu, in the neighbourhood of the new government office buildings in the east, leading to Chenglong Road and Sanshenghuaxiang, a Grade-4A national landscape region, 150 meters from Dongsanhuan and close to the magnificent natural park of 2,000 mu. In addition to enjoying beautiful scenery, Sky Villa is well-connected to the traffic network. It is only 10 minutes by car from the city center. The district is also well-equipped with comprehensive auxiliary facilities for education, commerce, medical services and leisure.



Show Flats of Sky Villa

Entrance of Sales Office — Sky Villa

Virtual Perspective of Sky Villa

The project occupies a total land area of 138,000 sqm and is divided into four phases with a total of 18 blocks and a total residence of approximately 4,280 units with double-storeyed courtyards, twin en-suite design and useable area of between 200 sqm and 250 sqm for each unit.

Sky Villa combines the concepts of villas and high-rises and is unique in the main urban area. The six-metre height ceiling is a strong attraction of the project.

Executive Directors

Mr. CHEUNG Chung Kiu, aged 44, was appointed Chairman and Executive Director of the Company on 22 November 2006 and 22 June 2000 respectively. He also serves as a Director of several subsidiaries of the Company. Mr. Cheung has a wide range of experience in investment and business management, including over 15 years of property development and investment experience in the PRC. Mr. Cheung is the founder and Chairman of Yugang International Limited ("Yugang"), Chairman of Y.T. Realty Group Limited ("Y.T. Realty") and Chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). Yugang is a substantial shareholder of the Company. The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a Director of Regulator Holdings Limited, Yugang International (B.V.I.) Limited, Chongqing Industrial Limited, Palin Holdings Limited and Thrivetrade Limited, which are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under SFO" on pages 48 to 49.

Dr. LAM How Mun Peter, aged 61, was appointed Deputy Chairman, Managing Director and Executive Director of the Company on 22 November 2006, 9 April 1999 and 3 June 1998 respectively. Dr. Lam is the founder of the Company and has served the Group since 1989. He also serves as a Director of several subsidiaries of the Company. He obtained his medical degree from the University of Hong Kong in 1972. He is a Fellow of the Royal College of Surgeons of Edinburgh, the American College of Surgeons and the Hong Kong Academy of Medicine. In addition to his extensive experience in medical practice, Dr. Lam has over 20 years of experience in the real estate, investment and manufacturing industries. Currently, he spends only a limited amount of his time on his medical practice.

Mr. TSANG Wai Choi, aged 60, was appointed Deputy Chairman and Executive Director of the Company on 1 June 2008 and 14 May 2007 respectively. He also serves as a Director of several subsidiaries of the Company. Mr. Tsang graduated from the Sichuan Construction Material College (四川省建築材料學校). He has extensive experience in various segments of the construction industry in the PRC, including over 15 years of experience in property development as a professional project manager. As a front-runner in property development using private capital in the city of Chongqing, Mr. Tsang has been over-all in charge of a number of large-scale property projects in the city since 1991.

Mr. LAM Hiu Lo, aged 47, was appointed Executive Director of the Company on 10 November 2000. He also serves as a Director of several subsidiaries of the Company. Mr. Lam has over 25 years of experience in sales and marketing in the PRC. Over the years, he has successfully built up a strong business and personal network in the PRC. Mr. Lam is an executive director of Yugang.

Mr. LEUNG Chun Cheong, aged 59, was appointed Executive Director of the Company on 3 June 1998. He also serves as a Director of several subsidiaries of the Company. He has joined the Group since 1995. Mr. Leung is a fellow of the Association of Chartered Certified Accountants in the UK and an associate of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in professional accounting and finance. Previously, he had held senior positions in various companies in Hong Kong, including controller of a financial group, head of internal audit of a US bank and senior position in Pricewaterhouse & Co. (presently known as PricewaterhouseCoopers).

Mr. LEUNG Wai Fai, aged 47, was appointed Executive Director of the Company on 3 December 1999. He also serves as a Director of several subsidiaries of the Company. Mr. Leung graduated from the University of Wisconsin at Madison, the United States of America with a Degree of Bachelor of Business Administration. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the UK. In addition, Mr. Leung is an Executive Director of Cross-Harbour and Group Financial Controller of Yugang.

Ms. POON Ho Yee Agnes, aged 41, was appointed Executive Director of the Company on 3 June 1998. She also serves as a Director of several subsidiaries of the Company. She has joined the Group since 1990. Ms. Poon holds a Master of Science in Electronic Commerce and Internet Computing from the University of Hong Kong and a Degree of Bachelor of Business Administration from Simon Fraser University, Canada. In addition, she obtained her Master of Social Science in Counselling at University of South Australia in 2006. Over the years, Ms. Poon has gained considerable experience in sales and marketing in the manufacturing industry.

Dr. WONG Kim Wing, aged 47, was appointed Executive Director of the Company on 25 January 2008. Dr. Wong is a Registered Architect and an Authorized Person in Hong Kong. He is a fellow of the Hong Kong Institute of Architects and has over 20 years of experience in property development and assets branding. Having graduated from the University of Hong Kong with Architectural Degrees in 1984 and 1986, Dr. Wong also obtained his PhD Degree in Finance at Shanghai University of Finance and Economics in 2007. Prior to joining the Company, Dr. Wong was Director and Deputy General Manager (China Subsidiaries) and Group Senior Project Manager of Sun Hung Kai Properties Group from 1994 to 2005. He was also Director of Project & Planning of The Link Management Limited from 2005 to January 2008.

Executive Directors *(Continued)*

Mr. WU Hong Cho, aged 63, was appointed Executive Director of the Company on 7 July 2006. He also serves as a Director of several subsidiaries of the Company. Mr. Wu graduated from the Law School of the University of Hong Kong and has accumulated over 10 years of experience as a practicing solicitor in Hong Kong before leaving private practice. Prior to joining the Company, he held senior positions and was in charge of corporate financial matters in a number of public companies in Hong Kong. Mr. Wu is currently a Non-executive Director (re-designated from Executive Director on 1 July 2006) of NewOcean Energy Holdings Limited, a company listed on the Stock Exchange, and was an Independent Non-executive Director of Beiren Printing Machinery Holdings Limited from January 1990 to July 2008, a company listed on the Stock Exchange and the Shanghai Stock Exchange.

Non-executive Director

Mr. WONG Yat Fai, aged 49, was appointed Independent Non-executive Director of the Company on 20 September 2006 and was re-designated as Non-executive Director of the Company on 1 October 2007. Mr. Wong holds a professional diploma in banking from the Hong Kong Polytechnic University. He has over 15 years of working experience with an international banking group. Mr. Wong is currently an Executive Director of GR Vietnam Holdings Limited, and a Non-executive Director (re-designated from Independent Non-executive Director on 1 October 2007) of Yugang, Y.T. Realty and Cross-Harbour, the shares of all of these companies are listed on the Stock Exchange.

Independent Non-executive Directors

Mr. LAM Kin Fung Jeffrey, SBS, JP, aged 57, was appointed Independent Non-executive Director of the Company on 3 June 1998. Mr. Lam holds a Bachelor Degree from Tufts University in the United States of America. He has over 30 years of experience in the toy industry and is currently the Managing Director of Forward Winsome Industries Limited which is engaged in toy manufacturing and Eltee Enterprise Limited which is an investment company. Mr. Lam also holds a number of other public and community service positions including Member of the Legislative Council in Hong Kong, General Committee Member of the Hong Kong General Chamber of Commerce, Council Member of the Hong Kong Trade Development Council and Chairman of the Hong Kong Export Credit Insurance Corporation Advisory Board. In addition, he is an Independent Non-executive Director of Hsin Chong Construction Group Limited, the shares of which are listed on the Stock Exchange.

Mr. LEUNG Yu Ming Steven, aged 49, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung holds a Degree of Master in Accountancy from Charles Sturt University in Australia and a Degree of Bachelor of Social Sciences from the Chinese University of Hong Kong. He is an associate of the Institute of Chartered Accountants in England and Wales, a certified practicing accountant of CPA Australia and a fellow of the Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung is a practicing certified public accountant in Hong Kong. He previously worked in Nomura International (Hong Kong) Limited as Assistant Vice-President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. He has over 23 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an Independent Non-executive Director of Suga International Holdings Limited, Yugang, Y.T. Realty and Cross-Harbour, the shares of all these companies are listed on the Stock Exchange.

Dr. WONG Lung Tak Patrick, JP, aged 61, was appointed Independent Non-executive Director of the Company on 1 October 2007. Dr. Wong is an associate of the Institute of Chartered Accountants in England and Wales, and a fellow of the Association of Chartered Certified Accountants in the UK, the Association of International Accountants, the Institute of Chartered Secretaries and Administrators in the UK, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong as well as the Hong Kong Institute of Chartered Secretaries. Dr. Wong is a practicing certified public accountant in Hong Kong and has over 30 years of experience in the accountancy profession. He is the Managing Director of Wong Lam Leung & Kwok CPA Limited. Dr. Wong was accorded Doctor of Philosophy in Business, was awarded a Badge of Honour by the Queen of England in 1993, and was appointed a Justice of the Peace in 1998. He has been appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University since 2002. Dr. Wong participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. He is currently an Independent Non-executive Director of Water Oasis Group Limited, China Precious Metal Resources Holdings Co., Ltd. (formerly known as China Force Oil & Grains Industrial Holdings Co., Ltd.) and Galaxy Entertainment Group Limited, the shares of all these companies are listed on the Stock Exchange.

To our Shareholders,

I am pleased to present the annual report of C C Land Holdings Limited (the "Company") for the year ended 31 December 2008.

The Group recorded a revenue of HK$1,395.6 million for the year ended 31 December 2008 (2007: HK$910.8 million), representing an increase of 53.2% when compared with that of last year, comprising of property development and investment business of HK$732.0 million, manufacturing businesses of HK$664.2 million, and treasury investment business of HK$(0.6) million. Despite achieving record sales performance, the Group attained a loss attributable to shareholders of HK$837.1 million (2007: a profit of HK$905.5 million), largely due to the impairment loss from the Group's interests in land, and partly due to property projects being still in the stage of planning and development, and the challenging market conditions of the property industry in China. The loss per share for the year was 38.7 HK cents (2007: Earnings per share was 46.1 HK cents). Excluding the effects of non-operational and non-cash expenses totalling HK$861.9 million, which included the Group's share of impairment loss from its interests in land, net of deferred tax, of HK$692.6 million and an impairment of goodwill in respect of the manufacturing arm of the Group in the amount of HK$62.3 million, the operating profit attributable to shareholders was HK$24.8 million.

The PRC Property Business

The credit and subprime issues in the United States had caused slowdown in major economies before the financial crisis intensified in mid-September last year. Although coordinated global efforts were made to recapitalise banks to enable lending to businesses and families, the world economy is weakening fast. Tighter credit and declining confidence have made consumers unable or unwilling to spend and invest. The financial meltdown occurred in all major countries including China. The effect on the property industry was evidenced by downward price adjustments, reduced transaction volumes, and fewer land purchases by developers as compared to the previous year.

The economic growth of China slowed but still managed a remarkable 9.0% GDP growth in 2008. In order to maintain a target GDP growth of not less than 8% for 2009, the Chinese Government has identified, amongst others, a stable real estate market as an important contributing factor to boost domestic demand and consumption. Previous macroeconomic control measures were relaxed or suspended towards the end of last year. Several interest rate cuts and lowering of bank reserve ratios to improve liquidity were implemented to help both the home buyers and developers. The Group believes that China's economic growth momentum, although somewhat reduced, will continue to move forward. The rapidly growing middle class, the increase in household disposable income, and the supportive measures of the government will stimulate the property market to recover in the medium term. The Group therefore remains positive about the prospects of the China property market in the medium and long term.

The Group continues to focus its property business in Western China which is considered to be less affected by the global economy slowdown. While the coastal regions which rely more heavily on the export business suffered from reduced overseas orders, Chongqing still achieved a GDP growth of 14.3% in Year 2008 and is targeting a growth rate of 12% for Year 2009. On 26 January 2009, the State Council issued an opinion (Guofa (2009) No.3) on the planning of the reform and development of Chongqing. The opinion reaffirmed the irreplaceable role of Chongqing, the sole municipality in central and western China, as a key driver for successful western region development. Chongqing is designated as the strategic hub in the upstream region of the Yangtze River and will play a proactive role in cooperation with coastal cities. On 16 March 2009, the Chongqing municipal government approved a master work plan with the aim to position Chongqing as the leading metropolitan area in Western and Central China. As a milestone, the Chongqing government targets to increase its GDP per capita and the income of urban residents to the national average by 2012 and 2020 respectively. The economy of Chongqing is expected to outperform the rest of the country and this will definitely benefit the local property market. Similarly even though Sichuan suffered from the devastating earthquake in May 2008, Chengdu, being the capital of Sichuan, could still achieve a GDP growth of 12.1% in 2008. With the enormous government committed funding to rebuild Sichuan, the economy of Sichuan is very bright.

Since the Group's reorganization in late 2006 and moving into the PRC property business, the Group started orderly constructions of various property projects, after having built up our staff infrastructure. The revenue generated from the property business in 2008 was HK$732 million, about 11 times more than that of HK$61.4 million in the previous year. There are presently 11 projects in different stages of development. In 2008, three projects were completed, namely, California One, No. 1 Peak Road and Verakin New Park City - Zone B, making up a total GFA of 234,555 sqm, more than double of the only project completed in the previous year with a GFA of 104,495 sqm in Verakin New Park City - Zone A.

The Group has a total land reserve of about GFA 12.7 million sqm (attributable about GFA 9.2 million sqm) which should be sufficient for use in the coming seven to eight years. Only one land lot in Tongnanxian, Chongqing, was acquired in 2008 at a total consideration of RMB156 million, equivalent to about RMB180 per sqm, for a total GFA of 867,000 sqm. In January 2009, the Group acquired another land lot at a consideration of about RMB127 million with a GFA of about 187,000 sqm with an average price of RMB678 per sqm in Yutang, a town in Dujiangyan, Chengdu. This shows the Group is very cautious in land bank replenishment and only land bank with great profitability potential will be considered.

The Manufacturing Business

In spite of a general fall in demand, and surging material and operating costs, the Group's packaging and point of sales display business still managed to perform well, maintaining a profitability of HK$15.3 million, which took into account the impairment of goodwill in the point of sale display business of HK$8.9 million. This performance is partly due to the good reputation we command amongst some of the leading brand names in the world and the relationships we have built up with our customers over the years. It also reflects the success of our cost saving programmes put in place during the year, helped along by reasonable price increases of our products.

As a result of the improvement programmes, raising productivity, and tightening cost control, the luggage business was back in profit in the second half year. The loss of HK$12.2 million (including HK$2.9 million restructuring charges) as reported in the first half of 2008 was reduced to a loss of HK$9.9 million (including HK$2.9 million restructuring charges) for the whole of 2008. However, together with an impairment of goodwill of HK$23.9 million, the net loss for the year 2008 came to HK$33.8 million.

Prospects

Amid the deepening global financial crisis, the Chinese government has promised to boost domestic demands, embark on major infrastructure projects, create jobs, and carry out economic restructuring to maintain a sound economic growth. It is expected that 2009 will be a very tough year, but the Chinese economy will still grow, albeit at a lower rate. It is a year of consolidation. A healthy and revitalized property market is necessary to help the country achieve its targeted GDP growth. Positive measures from the central and local governments introduced towards the end of last year to support the property market appear to be taking some effects, with significant pick-ups in transaction volumes in many cities recently. This is especially evident in cities where genuine end-user demand is strong, and where speculation buying is not rife. The Group is in a better position because its focus is in a less traumatised property market, Western China. Its strong balance sheet with low gearing level and low inventory level implies the Group does not have any financial pressure to dump its valuable assets. To respond to the ever-changing property market, the Group will monitor the market closely and react to the market demand by adjusting the property development schedule to avoid incurring unnecessary construction costs, and at the same time, prepare to accelerate construction exponentially should market sentiments return. Land replenishment will be extremely cautious to preserve more cash in the balance sheet.

In response to the worsening economic situation, the management reassessed its manufacturing businesses' operation to effectively reduce costs and increase productivity. It is prudent not to foresee growth for the financial year 2009. The manufacturing businesses may suffer a decline in revenue if the recession lasts longer and runs deeper. Nevertheless, we remain positive about our future. Our strength in product development, well established broad customer base, strong financial position, and operational excellence should allow us to weather the difficult times.

Acknowledgements

I would like to express my sincere appreciation to the Board of Directors, management and staff for their diligence, loyalty and dedication. I am grateful to our shareholders, strategic partners and bankers for their support and confidence which have contributed towards the Group's success.

Cheung Chung Kiu
Chairman

Hong Kong, 27 March 2009

RESULTS

Revenue for the Group increased by 53.2% over the financial year 2007 to HK$1,395.6 million. Despite the overall growth in revenue from the two core businesses, property and packaging, the Group attained a loss attributable to shareholders of HK$837.1 million for the year ended 31 December 2008 (2007: a profit of HK$905.5 million, which was mainly attributable to recording a tax credit of HK$506.3 million in respect of deferred tax liabilities, and to the reduction of the corporate income tax rate applicable to the Group's subsidiaries in China from 33% to 25% effective 1 January 2008).

Loss per share for the year was 38.70 HK cents, compared to earnings per share of 46.10 HK cents in 2007. A diluted loss per share has not been disclosed as no diluted events existed during 2008 (2007: diluted earnings per share of 45.85 HK cents).

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK$0.02 (2007: HK$0.05) per share to our shareholders whose names appear on the Register of Members of the Company on 15 May 2009. Subject to approval at the forthcoming Annual General Meeting, dividend warrants will be sent to shareholders on or about 25 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 13 May 2009 to 15 May 2009 (both days inclusive), during this period no share transfers will be registered. In order to be eligible to attend and vote at the Annual General Meeting of the Company to be held on 15 May 2009 and to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12 May 2009.

BUSINESS REVIEW

The Group's revenue for the year ended 31 December 2008 increased by 53.2% over the previous financial year to HK$1,395.6 million as a result of an increase in revenue from its two core businesses, property and packaging, despite having been dented by a fall in revenue of the luggage business.

During the year ended 31 December 2008, the property business reported a revenue of HK$732.0 million, representing an increase of about 11 times when compared with the revenue of HK$61.4 million in the previous year. The loss attributable to the Group for the property business was HK$960.1 million (2007: a profit of HK$932.1 million), after taking into account an impairment in value of the Group's interests in land, net of deferred taxation, of HK$885.1 million (2007: Nil). The loss also included HK$42.1 million (2007: HK$30.0 million) of non-recurrent and non-operational expense of exchange losses due to Renminbi appreciation during the course of conversion of Hong Kong dollars/US dollars registered capital into Renminbi working capital for the Group's project companies in the PRC. Excluding these expenses, the net loss of the property business for the year would have been reduced to only HK$32.9 million.

Zhong Yu participated in the Autumn Property Exhibition

The revenues of the packaging and luggage business were HK$434.9 million (2007: HK$411.2 million) and HK$229.3 million (2007: HK$419.4 million) respectively. The manufacturing business recorded a loss of HK$49.8 million (2007: a profit of HK$30.0 million), which included factory closure expenses of HK$2.9 million, writing off of goodwill amounting to HK$62.3 million arising from the acquisition of subsidiaries and an associate business operation in prior years, and an equity-settled share option expense of HK$0.6 million. Excluding the effects of these exceptional expenses, the profit for the year attributable to the manufacturing business amounted to HK$16.0 million. Rising raw material costs, operating and labour costs, and the appreciation of the Renminbi against the US dollar had affected profit margins of the manufacturing business, resulting in the fall in profits compared with 2007.

Other income recorded a gain of a total of HK$192.6 million (2007: HK$110.7 million) from the gain on disposal of partial interest in a subsidiary, recovery of receivables and fair value gains on investment properties.

Other expenses recorded an equity-settled share option expense which is non-operational and non-cash in nature amounting to HK$63.1 million (2007: HK$74.9 million) in respect of share options granted to certain directors, eligible employees of the Group and those who had served the Group.

The treasury investment business reported a loss of HK$9.1 million (2007: a profit of HK$14.9 million).

The increases in marketing and distribution costs, administrative expenses and finance costs are attributable to the expansion of the property business and the increase in the number of projects under development during the year.

In summary, the effects of non-operational expenses and non-cash expenses on the property and manufacturing business were HK$927.2 million and HK$65.2 million respectively. Eliminating such effects and the equity-settled share option expense of HK$63.1 million, the Group's operating profit attributable to shareholders for the year would have been HK$24.8 million. Detailed calculations are set out below:

	Property Business HK$'M	**Manufacturing Businesses** HK$'M	**Treasury Investment Business** HK$'M	**Corporate Items** HK$'M	**Group** HK$'M
Loss for the year	(960.1)	(49.8)	(9.1)	(59.6)	(1,078.6)
Add: non-operational/ non-cash expenses					
– impairment in value of the Group's interests in land	885.1	–	–	–	885.1
– impairment of goodwill	–	62.3	–	–	62.3
– exchange losses	42.1	–	–	–	42.1
– factory closure expenses	–	2.9	–	–	2.9
– equity-settled share option expense	–	0.6	–	62.5	63.1
	(32.9)	16.0	(9.1)	2.9	(23.1)
Attributable to:					
Shareholders of the Group	16.7	14.3	(9.1)	2.9	24.8
Minority interests	(49.6)	1.7	–	–	(47.9)
	(32.9)	16.0	(9.1)	2.9	(23.1)

THE PRC PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

No. 1 Peak Road

In spite of the collapse of the global economy triggered by the US subprime mortgage crisis, China's economy was still able to achieve a satisfactory growth, with an year-on-year increase of 9.0% in 2008. The government's macroeconomic control measures, however, had profound effects on the property sector. In early 2008, overall transaction volumes and prices started to fall, with the rate of fall intensifying towards the second half of the year. With the deepening of the global financial crisis in the second half year, China's economic growth slowed sharply in the third quarter due to a slump in export.

Entrance Road of No. 1 Peak Road

The Central Government, intent on maintaining a GDP growth rate of not less than 8% for 2009, reacted by implementing measures to boost domestic demand and consumption, earmarking RMB4 trillion to fund major infrastructure projects, to support flagging industries, to create jobs, and re-build Sichuan after the devastating earthquake. Previous restrictive measures on the property sector were relaxed or suspended. Interest rate cuts and lowering of bank reserve ratios to improve liquidity were carried out to encourage home purchases and help the developers. Other measures include reduced transaction costs, tax rebates, and lower down payments for property transactions. In recent months, these measures appear to be taking effect as transaction volumes begin to pick-up in many cities, especially where genuine end-user demands are strong, and speculative buying is not rife. Given a satisfactory economic growth, the increase in the household disposable income, the step up in urbanization rate, the need to acquire new housing and to upgrade are the driving forces supporting growth in the PRC property market in the medium to long-term.

The Group's focus is on the development of property projects in Western China, predominantly in Chongqing and Sichuan. The Group believes this is one of the highest economic growth regions in the PRC. On 26 January 2009, the State Council issued an opinion (Guofa (2009) No.3) on the planning of the reform and development of Chongqing. Chongqing is designated as the strategic hub in the upstream region of the Yangtze River and will play a proactive role in cooperation with coastal cities. To follow up on the above opinion issued by the State Council, on 16 March 2009, the Chongqing municipal government approved a master work plan with the aim to position Chongqing as the leading metropolitan area in Western and Central China. With a huge population of 31 million people and Chongqing being the city with the largest property transaction volume in China in February 2009, the real estate industry is certainly a pillar in Chongqing's economic development. All these will boost the economy and improve the living standards of Chongqing and will help build a solid foundation for its property market.

According to the Statistical Information of Chongqing and Chengdu, the GDP growths of Chongqing and Chengdu for the year 2008 were 14.3% and 12.1% respectively, outperforming the national average of 9%. For the year 2008, the area sold of commodity residential property in Chongqing and Chengdu amounted to 26.7 million sqm and 11.9 million sqm respectively, representing an year-on-year decrease of 19% and 43% respectively.

During the year ended 31 December 2008, the Group recognized as sales a total of approximately 188,030 sqm of GFA, contributing to a revenue from property sales of HK$712.3 million (2007: 15,506 sqm and HK$43.8 million). The increases in GFA and revenue were about 11 times and 15 times more than those in the previous year respectively. The revenues were from the delivery of newly completed property units at Verakin New Park City, California One, and No. 1 Peak Road.

An analysis of the GFA recognized as revenue and the average selling prices for the year ended 31 December 2008 is set out below:

Project	Usage	Gross Floor Area (sqm)	Sales Revenue Net of Business Tax (RMB'000)	Average Selling Price Net of Business Tax (RMB)	Group's Interest
California One	Residential/Office	52,129	172,791	3,315/sqm	100%
No. 1 Peak Road	Residential	33,392	171,487	5,136/sqm	100%
Verakin New Park	Residential	100,926	281,414	2,788/sqm	51%
City- Zone A & B	Car Park	1,583	2,809	66,893/unit	
		188,030	628,501		

California One - a residential and office development, was completed in 2008. At 31 December 2008, all its units were sold and were recognized as revenue in the year.

No. 1 Peak Road - a high-end residential development, in which 38,593 sqm were sold as at 31 December 2008, achieved an average selling price of RMB5,082 per sqm of GFA. At 31 December 2008, 33,392 sqm were delivered and recognized as revenue.

Verakin New Park City - a high-end multi-phased residential and commercial project - Zone B, was completed in the year. At 31 December 2008, a total of 102,509 sqm were recognized as revenue, with 1,512 sqm ready for delivery to buyers and for recognition as revenue in 2009.

During the financial year ended 31 December 2008, the Group completed three projects with a total GFA of 234,555 sqm, an increase of 124% when compared with 104,495 sqm completed in the previous year. Details of the completed projects are as follows:

Project	Usage	GFA (sqm)	Group's Interest
California One	Residential/Office & Car Park	53,325	100%
No. 1 Peak Road	Residential & Car Park	103,908	100%
Verakin New Park City – Zone B	Residential/Retail & Car Park	77,322	51%
		234,555	

The total GFA expected to be completed in 2009 and 2010 are approximately 146,000 sqm and 250,000 sqm respectively.

During the year, the Group had pre-sold a total of approximately 86,900 sqm of properties, which generated sales of RMB454.9 million. The recognition of these sales will depend on the time of completion of construction, the issuance of occupation permits and delivery to the buyers.

The breakdown for the contracted sales in 2008 is as follows:

Project	Usage	Approximate Contracted Sales Area (GFA/sqm)	Approximate Contracted Sales Revenue (RMB'000)	Approximate Contracted Average Selling Price (RMB)
No. 1 Peak Road	Residential	19,200	94,020	4,900/sqm
Verakin New Park City – Zone G & H	Residential	52,400	230,600	4,400/sqm
Sky Villa	Residential	10,700	118,900	11,100/sqm
	Car Park	2,900	5,500	70,000/unit
i-City	Residential	1,700	5,900	3,470/sqm
Total		86,900	454,920	

Handover Inspection of No. 1 Peak Road

Property Development

Chongqing Projects

Verakin New Park City (同景國際城) – A high-end multi-phased residential and commercial project with a total GFA of about 1.6 million sqm of which the Group has a 51% interest. Zone B with a GFA of about 77,000 sqm was completed during the year. Construction for Zone G and H is in progress. Zone G will provide about 146,000 sqm of residential and commercial property. Zone H is a town-house project with a GFA of about 26,000 sqm. Pre-sales of Zone G Phase II and Zone H commenced in the third and fourth quarters of 2008 respectively. Zone G and H are expected to be completed in the second half of 2009 and in the first half of 2010 respectively. Foundation work for Zone I with a GFA of about 150,000 sqm has been completed. Further construction work has been scheduled subject to the sales progress of Zone G and H projects.

Verakin New Park City

Mansions on the Peak (御府) – Foundation work has been completed. Construction work of the building structure is expected to start in the second half of 2009. The development carries 46 villas with a total GFA of about 52,000 sqm and is expected to be completed in second half of 2011.

Lot # 15, 16 & 17-1 - The development would provide a planned GFA of about 550,000 sqm made up of residential and commercial units, and serviced apartments. The design plan was revised to comply with the government's request to lower the heights of several buildings adjacent to the nearby local governmental villa estate occupied by senior officials. Construction work is expected to commence in the second half of 2009.

Sales Reception of i-City

Lot # 10-1 (都會首站)- A landmark development in our Yubei main land bank that provides a planned GFA of about 394,000 sqm, comprising an investment-grade shopping mall, a 5-star hotel with an associated serviced apartment block, several office towers, residential units and retail spaces. The master plan has been approved by the local authority. Construction of Phase I with GFA about 143,000 sqm is expected to commence in the second quarter of 2009 and is expected to be completed by 2011.

i-City (愛都會) – A three phased development project near the new Yubei train terminal which provides a GFA of about 309,000 sqm of mixed residential and commercial property. Construction of the first phase of a GFA of about 63,000 sqm is in progress and pre-sales were launched in the December of 2008. The first phase of the project is expected to be completed in 2010.

Phoenix County (梧桐郡) – A high-end residential townhouse project near the new Yubei train terminal with a total GFA of about 413,000 sqm. The foundation work is in progress. The construction of the first phase with GFA of about 82,000 sqm will start in the third quarter of 2009 and is expected to be completed in 2011.

Riverside, Wanzhou (濱江壹號) – Located in the Jiangnan New District in the Wanzhou District, the project will be developed into an integrated complex, consisting of commercial facilities, an office building and high-end residential property with a total GFA of about 397,000 sqm. Foundation for the first phase of residential property with a GFA of about 73,000 sqm was started in December 2008 and construction will start in the second quarter of 2009. Phase I pre-sales is expected to take place in the second half of 2009.

Jiangbei Project – A 25% equity interest joint venture project along the north bank of the city center section of the Jialing River with a total GFA of about 1,020,000 sqm is planned to be developed into a high-end residential and commercial complex. The preliminary plans of the project are in the process of revision.

Chengdu Projects

Sky Villa (四海逸家) – A residential project located in the Jinjiang District with a total GFA of about 413,000 sqm. Construction of the first phase with a GFA of about 65,000 sqm consisting of three towers is in progress. The towers are under construction and pre-sales was launched in the third quarter of 2008. The first phase is expected to be completed in 2010.

Sales Office of Sky Villa

Sky Villa Launch Ceremony

Wen Jiang Project – A suburban high-end project in Chengdu with a total GFA of about 865,000 sqm is planned for the development of villas, townhouses, and low-rise apartment blocks. Construction work for Phase I with a GFA of about 47,000 sqm is scheduled to commence in the second half of 2009.

Kunming Project

Silver Lining (雲都國際) – The project in Kunming has a total GFA of about 62,000 sqm, comprising of residential, serviced apartments and commercial property. The construction work is to commence in the second half of 2009.

As at date of this report, details of the projects held for development are as follows:

Locations/ Project Names	**Expected Completion Date**	**GFA** (sqm)	**Group's Interest**
Chongqing, Yubei District			
– Phoenix County	2011 or after	413,000	100%
– i-City	2010 or after	309,000	100%
– Mansions on the Peak	2011	52,000	100%
– 10-1	2011 - 2012	394,000	100%
– 15, 16 & 17-1	2011 or after	813,000	100%
– 9	2011 or after	365,000	100%
– 19	2011 or after	383,000	100%
– 4	2011 or after	597,000	100%
– 3-1	2011 or after	301,000	100%
– Others	2011 or after	131,000	100%
Chongqing, Jiangbei District			
– Huaxin Street, Jie Dao Qiao Bei Village and No. 1 Zhongxin Section	2011 or after	1,020,000	25%
Chongqing, Nan'an District			
– Verakin New Park City	2009 - 2017	1,477,000	51%
Chongqing, Wanzhou District			
– Riverside, Wanzhou	2010 or after	397,000	100%
Chongqing, Tongnanxian	2011 or after	867,000	100%
Chengdu, Dujiangyan District, Xujia Town	2011 or after	61,000	100%
Chengdu, Dujiangyan District, Yutang Town	2011 or after	187,000	60%
Chengdu, Jintang County	2011 or after	2,226,000	60%
Chengdu, Jinjiang District			
– Sky Villa	2010 - 2012	413,000	50%
Chengdu, Wen Jiang	2011 or after	865,000	50%
Meishan, Pengshan County			
– Binjiang New Town	2011 or after	1,000,000	60%
Sichuan, Dazhou, Tongchuan District	2011 or after	364,000	95%
Kunming			
– Silver Lining	2011	62,000	70%
Total		12,697,000	

Land Bank

Verakin New Park City

There were heavy corrections in the PRC property market in 2008 following the economic downturn in major economies and the effect of China's macro-economic control policies. To preserve liquidity, and to maintain a healthy capital structure of the Group, during 2008, the Group only acquired one land lot for property development - a site with a total GFA of about 867,000 sqm in Tongnanxian, Chongqing, at a total consideration of RMB156 million with an average price of RMB180 per sqm. This will be developed into residential property with a GFA of about 780,000 sqm and commercial property with a GFA of about 87,000 sqm. This acquisition increased the Group's total land bank reserves held for development to a GFA of about 12.5 million sqm (attributable GFA amounts to about 9.1 million sqm) as at 31 December 2008.

In January 2009, the Group secured at auction another land lot with a GFA of about 187,000 sqm at an average price of RMB678 per sqm in Yutang Town, Dujiangyan District, Chengdu. The acquired site is part of the land lots put up for sale in land auctions by the PRC authority associated with the land development rights assigned to the Group in 2007. The Group has 60% equity interests in this land site. Including this acquisition, the land bank reserves held for development amount to a GFA of about 12.7 million sqm (attributable GFA amounts to about 9.2 million sqm) as at the date of this report. Within our land bank, the land lots located at Yubei, Chongqing are of utmost importance due to their excellent location. The lots which have been held for a number of years by the Group will soon be developed into a flagship project of the Group.

The geographical locations of the land bank of the Group include Chongqing, Chengdu, the Sichuan Province, and Kunming. The Group will continue to maintain a consistent prudent land bank policy, and will replenish its land bank by acquiring only land lots with attractive upside development potential through the normal channels after careful consideration of market conditions and the Group's financial status, and the rate of consumption.

At the date of this report, the Group's total land bank stood at 12,892,000 sqm. The Group's land bank comprises a well-diversified portfolio. The breakdown by usage is as follows:

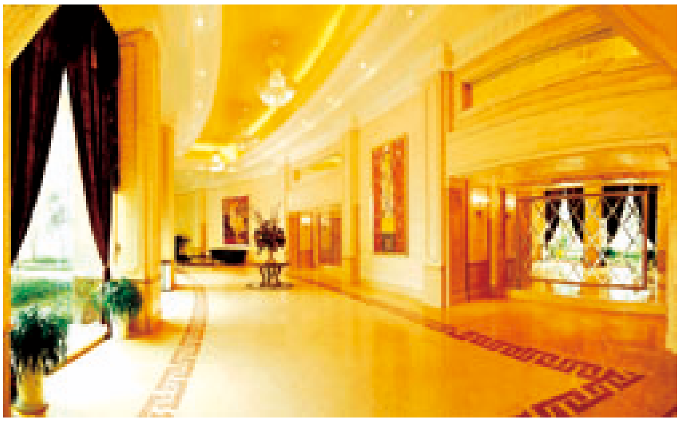
Usage	Completed Properties held for Investment GFA (sqm)	Properties held for Own Use GFA (sqm)	Completed Properties held for Sale GFA (sqm)	Land held for Development GFA (sqm)		Total GFA (sqm)
				Total	Attributable	
Commercial	28,000	9,000	5,000	988,000	799,000	1,030,000
Residential	4,000		46,000	9,376,000	6,629,000	9,426,000
Office				360,000	345,000	360,000
Hotel & serviced apartment				297,000	203,000	297,000
Townhouse & villa				687,000	386,000	687,000
Others (Car-park spaces and other auxiliary facilities)	52,000	11,000	40,000	989,000	805,000	1,092,000
Total	84,000	20,000	91,000	12,697,000	9,167,000	12,892,000

The breakdown of the land bank for development by location is as follows:

Location	Total GFA (sqm)	Attributable GFA (sqm)	Percentage
Chongqing	7,519,000	6,030,000	59.2
Sichuan			
– Chengdu	3,752,000	2,147,000	29.5
– Pengshan	1,000,000	600,000	7.9
– Dazhou	364,000	346,000	2.9
Yunnan			
– Kunming	62,000	44,000	0.5
Total	12,697,000	9,167,000	100.0

Investment Property

The Group will continue to retain premium properties with excellent potential for capital appreciation as long term investments. The portfolio of investment properties will generate stable recurrent income and cash flow to the Group which will achieve a better balance in revenue and stability in income streams.



Main Lobby of No. 1 Peak Road

Completed Investment Properties

The total book value of the Group's investment properties amounted to HK$250.3 million as at 31 December 2008, with an aggregate GFA of 84,467 sqm. The portfolio comprises of properties of diversified usage: Commercial (33.5%), Residential (4.6%) and Car-park and auxiliary facilities (61.9%). The prime locations of the Group's investment properties are responsible for the high overall occupancy rate at over 71%. Rental income during the year amounted to HK$12.0 million (2007: HK$13.9 million). According to an appraisal conducted by an independent valuer, the investment properties contributed a revaluation gain of HK$22.3 million (2007: HK$28.6 million) during the year under review. The revaluation gain confirms property prices in prime locations of Chongqing, where the Group's investment properties are located, are more resilient to market downturn.

A summary breakdown of the investment properties is shown below:

Property Location	Usage	Attributable GFA (sqm)	Occupancy Rate	Group's Interest
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	22,060	53.3%	100%
	Residential	3,866	13.8%	100%
	Car park	15,646	100.0%	100%
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	4,685	81.2%	100%
	Car park	12,094	100.0%	100%
	Auxiliary facilities	2,565	100.0%	100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car park	2,823	100.0%	100%
Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Commercial	1,541	6.5%	100%
	Car park	10,951	100.0%	100%
Chongqing International Finance and Trade Development Area Underground Car park, Longxi Town, Yubei District, Chongqing, PRC	Car park	8,236	–	100%
Total		84,467		

Investment Properties Under Development

With the recently awarded Special Economic Zone status for Chongqing and Chengdu, which translates into massive Central Government's spending in Chongqing's infrastructures, preferential tax policies, and other supportive measures, we expect many large overseas corporations to be attracted to the region. A new Third New District is expected to be created in the Chongqing's New North Zone in the vicinity of the Group's main land bank. This district will enjoy the same privileges which have been accorded to Pudong of Shanghai, and the Binhai District of Tianjin. Development of investment properties is one of the strategies adopted by the Group to fully enjoy the benefit of future growth of Chongqing. Careful studies will be performed by the Group in order to maintain a balanced portfolio of properties developed for sale and held for investments.

In the 11th Five Year Plan, the Chongqing Municipal Government encourages intensive development in urban areas, and the northern part of Chongqing is the ideal site for the new city centre. Being the "North Window" of Chongqing, the Yubei District is strategically important in the whole development blueprint of Chongqing. The Group's core land bank in the Yubei District is situated right at the heart of the Yubei District of Chongqing, a district where the regional government administration offices, major highway junctions and a new rail transportation hub are located. It is only less than 20 minutes by car from the Chongqing Airport. Plans have been drawn to build more runways to expand the airport with a budget of RMB20 billion in anticipation of the rising status of Chongqing to lead Western China into the future. The Group's land bank in this area has been earmarked for development as separate but interlinked projects, consisting of hotels, commercial and residential complexes. In view of the prime location of these projects, the Group intends to keep the trophy commercial properties for rental purposes and is expected to build up the investment property portfolio in the coming four years. Once completed, this portfolio will form a solid base of recurrent rental income and cash flow for the Group.

SOCIAL RESPONSIBILITY

Being one of the leading property developers in Western China, the Group recognizes its responsibility of providing supports and assistance to the victims of the Sichuan Earthquake. Accordingly the Group made a donation of HK$9.0 million, out of which HK$5.6 million was for the rebuilding of two primary schools, one in Chongqing and one in Sichuan.

Zhong Yu supported the 2008 Beijing Olympic Games

INVESTOR RELATIONS

The Group is committed to continuous communications with our shareholders and potential investors and believes that transparency can enhance corporate value. The Group understands instant responses to enquiries from investors are very important especially in a highly volatile stock market and there are always confusing messages circulating around. In addition to the Company's global roadshows after the results announcements, the management of the Company also actively participated in investment forums organized by leading international investment banks. Site visits and property tours were arranged to give investors a better understanding of the Group's development projects.

In order to give timely updates to the investors, the Group has a column under "Investor Relations" in its corporate website, www.ccland.com.hk. All investor-related information may be found in the column. The Group also maintains an updated distribution list of investors to provide them with information on the Group's latest development.

MANUFACTURING BUSINESS

During the financial year 2008, the manufacturing industry faced multiple challenges, particularly the continued rise in material and labour costs which had a direct negative impact on the Group's gross margin. These increases in costs could not be easily transferred to customers during economy slowdowns when weakened demand caused a lot of uncertainties in the market.

The packaging business managed a revenue growth of 5.8% to HK$434.9 million (2007: HK$411.2 million). The revenue from the luggage business declined by 45.3% to HK$229.3 million due to the underperformance in the US market. Segmental contribution to the Group for the packaging and luggage business amounted to a profit of HK$15.3 million and a loss of HK$33.8 million respectively.

Packaging Business

The revenue for the year ended 31 December 2008 increased by 5.8% over the previous financial year to HK$434.9 million. This result was driven by the continued strong demand in Europe and Asia for the packaging products, and increasing orders for the point of sales display business from new customers.

Europe continues to be the largest market, accounting for 44.0% of the revenue for the financial year 2008. Sales to North America declined by 4.0% over the previous financial year to HK$74.6 million as customers in the United States reduced their inventories in anticipation of economic slowdown in 2009.

The packaging business continued to suffer from rising material and labour costs, and the appreciation of the Renminbi. These increases in costs could not be entirely negated by raising sales prices under weak market conditions. The gross margin suffered during the financial year. The net profit was HK$15.3 million, after deducting impairment of goodwill in the point of sale display business of HK$8.9 million. The net profit margin however improved in the second half of 2008, following the Group's ability to negotiate for higher sales prices, to contain operating costs, and to enhance operational efficiency in the manufacturing process. These improvements in the second half year have contributed to the marginal fall in the profit margin from 7.7% in the previous financial year to 5.6% in the financial year 2008.

Luggage Business

Following the efforts to improve our management of the entire operation and production process in the second quarter, we were able to report at our interim results announcement that the luggage business was able to return to a small but encouraging profit in the third quarter.

Unit volumes and turnover fell sharply during the year, as a result of an existing customer reducing its order maximum limit with each of its suppliers due to a change of its internal policy, and the luggage business responded by focusing on higher margin orders from other customers through new avenues. Although the revenue decreased 45.3% to HK$229.3 million, the luggage business rebounded from an operating loss of HK$12.2 million in the first half of 2008 to an operating profit of HK$2.3 million in the second half of 2008. The operating loss for the year was HK$9.9 million. However, taking into account the impairment of goodwill for the Group's luggage business of HK$23.9 million, the net loss was HK$33.8 million.

The profit rebound is the result of our efforts to implement intense monitoring procedures throughout our production chain, while at the same time reducing our operating costs. Excluding restructuring and impairment charges, operating costs are now 22.0% lower than what they were in the first half of the financial year. Substantial lower levels of claims also contributed to the improvement. During the year, we reduced the headcount to further reduce our overhead, and took measures to step up productivity.

The financial position of the luggage business also improved after the working capital injection of HK$13.0 million from the holding company, and from net operating cash in-flows in the second half year. Excluding shareholders loan, net current assets as at 31 December 2008 stood at HK$7.3 million as compared with HK$3.4 million as at 31 December 2007.

Other Business

The share of loss (excluded an impairment of goodwill of HK$29.5 million) from the 30% owned associated company, Technical International Holdings Limited, amounted to HK$1.7 million (2007: a profit of HK$3.0 million). The business had been affected by the slowing major economies. However, the company has adopted a strategy of continued development of new products through a strong R&D team, which will stimulate sales, and allow the Company to grow as the major economies recover.

TREASURY INVESTMENT BUSINESS

The Group's treasury investment segment recorded a loss for the year of HK$9.1 million (2007: a profit of HK$14.9 million) attributed to the global downturn of the capital markets. The investment policy remains conservative and positive return should prevail in the medium term.

PROSPECTS

The PRC Property Development and Investment Business

In China, the macro-economic control policies have taken its toll, as the high inflation seen in the first half of 2008 eased while the property market spiraled downwards. The sub-prime mortgage crisis and the financial crisis in the world caused severe depression in the global economy. China's exports fell as demands fell around the world.

Zhong Yu participated in the Autumn Property Exhibition

The PRC government announced a RMB4 trillion stimulus package to stimulate domestic demand and consumption in an attempt to offset the slump in exports, to create jobs, and to re-build Sichuan after the devastating earthquake, in an attempt to maintain a GDP growth rate of not less than 8% for 2009. Supportive measures for both home buyers, and developers were implemented to revitalize and make healthy the property industry. After the market consolidation in 2008, we are seeing a return in the confidence of the buyers recently, with significant increases in sales volumes and housing prices edging up. We are optimistic about the medium and long-term growth and the strength of the property market in China, especially in our home ground, namely Western China.

The accelerated development in the central and western regions of China in recent years, the increase in the household disposable income, the rebuilding in Sichuan after the earthquake, Chongqing being a municipal province earmarked for rapid expansion in the future, together with the relevant government's supportive measures will stir the economic growth in Chongqing and Sichuan and hence build up an increasingly affluent consumer sector. The GDP growth rate in this region will continue to outperform the rest of the country.

The Group's strong balance sheet with low gearing level and low inventory level together form a solid foundation for its future growth. This also implies that the Group does not have any financial pressure to dump its valuable assets even in a downturn market. In order to maximize shareholders' return, the Group will monitor the market closely and react to the market demand by adjusting the property development schedule to avoid incurring unnecessary construction costs, and at the same time, building in an ability to respond quickly to capture the market should sentiments return. Land bank replenishment will be extremely cautious to preserve more cash in the balance sheet.

Manufacturing Business

The rate of output decline in the US and European economies is accelerating in recent months indicating that these developed economies are entering into or are in recession. Private consumption is likely to be hit by more sluggish earnings and higher levels of unemployment. Consumers withhold from spending on luxury items, negatively affecting the packaging business. Customers are unwilling to commit to large orders or long term contracts. Caught by rising operational costs and weakened demands, the Group expects 2009 to be a tough year. We have to react by reducing our operational costs and laying off workers. A decline in revenue is expected for 2009.

The luggage business is fundamentally back on track, with a return to profitability in the second half of 2008. We have decreased the capacity of our production facilities in response to reduced demand from our customers. Further streamlining of the production process is still in progress, with an aim to achieve better quality control of our products and improved efficiency. These restructuring activities will result in improved prospects for the luggage business.

The USA remains as the largest market for the Group. The US government has undertaken extraordinary measures, besides cutting rates, to ease monetary conditions. However there appears little sign of the downturn of the economy slowing, damaging prospects for future sales. Surprisingly we saw steady growth in business with our major customers in the USA in the second half of 2008. This may be due to consolidation amongst the manufacturers in the luggage industry. We have also expanded our customer base, turning to Asia and China, and found our products gaining acceptance from the consumers. We hope the European economies will suffer a shorter period of downturn as the Euro dollar has weakened which should improve competitiveness in exports.

FINANCIAL REVIEW

Investments

At 31 December 2008, the Group held a portfolio of listed securities with a market value of HK$5.9 million (31 December 2007: HK$34.0 million) and a convertible note of HK$34.2 million (31 December 2007: HK$34.7 million) issued by a company listed on The Stock Exchange of Hong Kong Limited. The amount of dividends, interest and other income from investments for the year was HK$10.3 million (2007: HK$7.0 million). The unrealized holding loss on listed securities reflected in the current year amounted to HK$4.7 million (2007: unrealized holding gain of HK$2.2 million). The Group's PRC subsidiary has investments in equity securities held for long term purposes amounting to HK$150.8 million (31 December 2007: HK$426.2 million).

Borrowings and Financial Leverage

At 31 December 2008, the Group had cash and bank balances of HK$2,005.6 million (31 December 2007: HK$2,722.8 million), which included HK$328.2 million (31 December 2007: HK$747.1 million) of deposits pledged to banks. The pledged deposit amounting to HK$325.0 million has been released subsequent to the balance sheet date.

At 31 December 2008, the Group's total borrowings amounted to HK$2,769.2 million (31 December 2007: HK$1,653.6 million). The Group's net debts were HK$763.6 million (31 December 2007: net cash of HK$1,069.2 million), and total equity was HK$9,275.6 million (31 December 2007: HK$9,846.2 million). The Group's net gearing ratio was approximately 8.2% as at 31 December 2008 (31 December 2007: Nil), calculated by total borrowings less cash divided by total equity.

The Group's bank borrowings as at 31 December 2008 are summarized as follows:

Currency of Bank Loans	**Total** HK$ million	**Due within One Year** HK$ million	**Due more than One Year but not exceeding Two Years** HK$ million	**Due more than Two Years but not exceeding Five Years** HK$ million
RMB	800.0	720.6	79.4	–
HK$	1,939.9	190.7	188.9	1,560.3
US$	29.3	29.3	–	–
	2,769.2	940.6	268.3	1,560.3

Secured debt accounted for approximately 29.0% of total borrowings as at 31 December 2008 (31 December 2007: 79.7%).

Contingent Liabilities/Financial Guarantees

At 31 December 2008, the Group had the following contingent liabilities:

a. Guarantees given to banks in connection with facilities granted to an associate in the amount of HK$13.5 million (2007: HK$13.5 million).

b. Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group and its jointly-controlled entity's property units in the amount of HK$343.7 million (2007: HK$231.5 million) and HK$8.3 million (2007: Nil) respectively.

Pledge of Assets

At 31 December 2008, the Group has pledged the followings:

a.	Leasehold properties as security for general banking facilities granted to the Group.	HK$5.9 million
b.	Fixed deposits as security for general banking facilities granted to the Group. The pledge was released in January 2009.	HK$328.2 million
c.	Properties under development, prepaid land lease payments, and investment properties pledged to secure banking facilities granted to the Group.	RMB3,159.0 million

Exchange Risks

Sales and purchase transactions of the Group's manufacturing business are primarily conducted in US dollars, Hong Kong dollars and/or RMB, while transactions for the property business are dominated in RMB. The exposure to foreign exchange risk is minimal.

EMPLOYEES

At 31 December 2008, the Group had approximately 4,994 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme to reward individual employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include contributions to the provident fund scheme, mandatory provident fund, and medical insurance.

During the year, options to subscribe for 1,760,000 shares in total at exercise prices of HK$7.02 and HK$11.30 per share respectively were granted on even dates under the share option scheme to certain employees of the Group. Total fair value of these share options granted was approximately HK$8.6 million. For the year ended 31 December 2008, an amount of HK$59.6 million (2007: HK$69.3 million) was charged off as equity-settled share option expense to the income statement.

Pursuant to a resolution of the Board on 10 July 2008, share options granted to certain directors and eligible employees to subscribe for 16,620,000 shares with exercise prices ranging from HK$7.02 to HK$15.34 per share were replaced by the issue of options at equal number and terms at an exercise price of HK$5.27.

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the “Board”) considers that sound corporate management and governance practices are essential to the Company’s healthy growth under all business environments.

Corporate Governance Practices

During the year under review, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), save for a slight deviation from Code Provision A.4.1 (tenure of non-executive directors) of the Code as explained in the relevant paragraph below.

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 of the Listing Rules (as amended from time to time) as its own codes of conduct regarding securities transactions by directors.

Following specific enquiries made, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

Board of Directors

Currently, the Board is chaired by Mr. Cheung Chung Kiu. It consists of nine executive directors and four non-executive directors, three of whom are independent. Names and other details of the members of the Board are set out under the heading of “Profiles of the Directors” on pages 21 to 22. The current structure and composition have provided an appropriate mix of skills and experience on the Board. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The day-to-day management of the Company is delegated to the Managing Director who is supported by various management committees including the Executive Committee, the Remuneration Committee and the Audit Committee. The current Managing Director is Dr. Lam How Mun Peter who is also Deputy Chairman.

The Chairman sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that the members of the Board receives accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. He works with the Company Secretary to ensure that the Board properly exercises its powers, that its meetings and procedures comply strictly with all rules and requirements, and that full and proper records are maintained. Procedures are also established for every director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company’s expense.

During 2008, four full regular board meetings were held and details of attendance are as follows:

Name of directors	**Number of meetings Attended/Held**
Executive Directors:	
Mr. Cheung Chung Kiu *(Chairman)*	4/4
Dr. Lam How Mun Peter *(Deputy Chairman & Managing Director)*	4/4
Mr. Tsang Wai Choi *(Deputy Chairman)*	4/4
Mr. Lam Hiu Lo	4/4
Mr. Leung Chun Cheong	4/4
Mr. Leung Wai Fai	4/4
Ms. Poon Ho Yee Agnes	4/4
Mr. Wu Hong Cho	3/4
Dr. Wong Kim Wing *(appointed on 25 January 2008)*	4/4
Non-executive Director:	
Mr. Wong Yat Fai	4/4
Independent Non-executive Directors:	
Mr. Lam Kin Fung Jeffrey	4/4
Mr. Leung Yu Ming Steven	4/4
Dr. Wong Lung Tak Patrick	4/4

Chairman and Managing Director

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Managing Director is responsible for the day-to-day management of the Company's business, recommending strategies to the Board, and determining and implementing operational decisions.

Non-executive Directors

The Company has deviated from the requirements of Code Provision A.4.1 of the Code, which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. Nevertheless, the length of tenure of non-executive directors is governed by the Company's Bye-laws which require every director to retire by rotation at the annual general meeting at least once every three years. A retiring director is eligible for re-election. This stipulation is consistent with the requirements of Code Provision A.4.1 of the Code. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than the required standard set out in the Code.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Board has reviewed their independence based on such confirmation and concluded that all of the independent non-executive directors remain independent.

Board Committees

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group.

In addition to the Executive Committee, the Board has set up two Committees in accordance with the Code, namely the Remuneration Committee and the Audit Committee.

There is no Nomination Committee, the establishment of which is a recommended best practice by The Stock Exchange of Hong Kong Limited. The function of nomination of new directors is undertaken by the Board. Under the Company's Bye-laws, the Board has power from time to time and at any time to appoint any person as a director to fill a causal vacancy or as additional director, subject to authorization by shareholders in general meeting. Such power is also exercised by the Board in accordance with the Company's Bye-laws. During the year, a meeting of the Board was held in connection therewith and all the board members at the time of the meeting attended the said meeting.

Remuneration Committee

The Remuneration Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Cheung Chung Kiu.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to determine the specific remuneration packages of all executive directors;
3. to review and approve performance-based remuneration;
4. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
5. to ensure that no director or any of his associates is involved in deciding his own remuneration; and
6. to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Listing Rules.

During 2008, the Remuneration Committee held one meeting which was attended by all its members. It has reviewed and discussed, among other things, the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the independent non-executive directors, the existing share option policy, the retirement benefit schemes, and the long-term incentive arrangement. The Remuneration Committee also determines the specific remuneration package of the executive directors of the Company.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Lam Kin Fung Jeffrey.

The major roles and functions of the Audit Committee are as follows:

1. to review the annual report and half-year report before submission to the Board;
2. to review the Group's financial and accounting policies and practices;
3. to review the financial controls, internal control and risk management systems;
4. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
5. to review and consider the management letter prepared by the external auditors and matters related to the affairs of the Group, and the management's response;
6. to be primarily responsible for making recommendation to the Board on the appointment, of the external auditor, to approve the remuneration and terms of engagement of the external auditor, to approve the provision of non-audit services by the external auditors, and any questions of resignation or dismissal of that auditor; and
7. to report to the Board on the matters set out in the provisions of the Code relating to Audit Committee.

The Audit Committee held three meetings in 2008 all of which were attended by all its members.

Draft and final versions of minutes of meetings of the Audit Committee are sent to all members within reasonable time after each meeting for their comment and records. Such minutes of meetings of the Audit Committee are then tabled to the Board for noting and for adoption by the Board where appropriate.

The Audit Committee has reviewed together with the management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's audited financial results for the year ended 31 December 2008. The Audit Committee reviews the financial statements before submission to the Board. When reviewing the Company's interim and annual reports, the Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements.

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young amounted to a total of HK$3,540,000, of which HK$3,050,000 was for audit services and HK$490,000 for non-audit services (including review, tax and consultancy services).

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to a total of HK$821,000, of which HK$716,000 was for audit services and HK$105,000 for non-audit services including tax services.

Internal Controls

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Company has maintained an internal audit function which is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function forms part of the permanent establishment of the Group.

The internal audit function monitors the adequacy and effectiveness of the internal control systems established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the system of internal control. The Board has also conducted an annual review of the effectiveness of the internal control system.

During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

Directors' Responsibility for Preparing the Financial Statements

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, 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.

The statement of the external auditors of the Company, Messrs Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 50.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

Principal Activities

The principal activities of the Company comprise investment holding and the provision of corporate management services. Details of the principal activities of the subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 51 to 111.

The directors recommend the payment of a final dividend of HK$0.02 per share in respect of the year to the shareholders on the register of members on 15 May 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 112. This summary does not form part of the audited financial statements.

Property, Plant and Equipment, Investment Properties and Properties Under Development

Details of movements in the property, plant and equipment of the Company and of the Group and investment properties and properties under development of the Group during the year are set out in notes 15, 16 and 25.1 to the financial statements. Further details of the Group's major properties are on pages 8 to 12.

Associates

Particulars of the Group's associates are set out in note 21 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 39 to the financial statements.

Pre-emptive Rights

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

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

During the year, the Company repurchased 22,724,000 shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$31,571,940. All of the repurchased shares were subsequently cancelled. The repurchases were effected by the directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of the shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration HK$
September 2008	10,000,000	2.22	1.60	19,448,360
October 2008	1,000,000	1.12	0.98	1,028,540
November 2008	11,724,000	1.35	0.83	11,095,040
	22,724,000			31,571,940

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2008, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$376,503,000 of which HK$42,893,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$7,087,594,000, may be distributed in form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions amounting to HK$9,014,000.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers in aggregate accounted for 19% of the total sales for the year and sales to the largest customer included therein amounted to 6%. Purchases from the Group's five largest suppliers accounted for 25% of the total purchases for the year and purchases from the largest supplier included therein amounted to 8%.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

Directors

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

Executive directors:
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter *(Deputy Chairman and Managing Director)*
Mr. Tsang Wai Choi *(Deputy Chairman)*
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Dr. Wong Kim Wing *(appointed on 25 January 2008)*
Mr. Wu Hong Cho

Non-executive director:
Mr. Wong Yat Fai

Independent non-executive directors:
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Lam How Mun Peter, Mr. Leung Chun Cheong, Mr. Wu Hong Cho, Mr. Wong Yat Fai and Mr. Lam Kin Fung Jeffrey will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors continue in office.

The Company has received from each of Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick an annual written confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the board of directors has reviewed their independence based on such confirmation and concluded that all of the independent non-executive directors remain independent.

Directors' Biographies

Biographical details of the directors of the Company are set out on pages 21 to 22.

Directors' Service Contracts

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not determinable by such company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Emolument Policy

The emolument policy of the employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly.

The Remuneration Committee is responsible for reviewing the emolument policy and structure of the executive directors of the Company, having regard to the Group's operating results, their duties and responsibilities, and the prevailing market conditions. The fee for the non-executive directors was determined and approved by the board of directors with reference to their duties and responsibilities with the Company. The remuneration of all directors is reviewed on an annual basis. The Company has adopted a share option scheme as incentive to directors and eligible employees, details of which are set out in note 43 to the financial statements.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2008, the interests and short positions of the directors and chief executives of the Company and their associates 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 (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in the Company (long positions)

Name of directors	Interest in shares		Interest in underlying shares pursuant to share options [3]	Aggregate interest	Approximate percentage [4]
	Personal interest	Corporate interest			
Mr. Cheung Chung Kiu		1,294,165,207 [1 & 2]		1,294,165,207	60.34
Dr. Lam How Mun Peter	11,000		21,539,000	21,550,000	1.00
Mr. Tsang Wai Choi	3,314,000			3,314,000	0.15
Mr. Leung Chun Cheong	534,000		1,500,000	2,034,000	0.09
Mr. Leung Wai Fai			3,000,000	3,000,000	0.14
Ms. Poon Ho Yee Agnes	104,000		2,000,000	2,104,000	0.10
Dr. Wong Kim Wing	250,000		2,000,000	2,250,000	0.10
Mr. Wu Hong Cho			1,800,000	1,800,000	0.08

Notes:

1. 254,239,636 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang International Limited ("Yugang", which was owned by Chongqing Industrial Limited ("Chongqing"), Timmex Investment Limited ("Timmex") and Mr. Cheung Chung Kiu in aggregate as to 44.06%). Mr. Cheung Chung Kiu was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

   1,039,925,571 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung Chung Kiu. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.

2. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung Chung Kiu and his family. Prize Winner Limited was beneficially owned by Mr. Cheung Chung Kiu and his associates. Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex.

3. Details of the directors' interests in the share options of the Company are set out in the section headed "Share Options" below and in the share option scheme disclosures set out in note 43 to the financial statements.

4. Percentage which the aggregate long position in the shares or underlying shares represents to the issued share capital of the Company.

Save as disclosed above, as at 31 December 2008, the Company had not been notified of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Options" below, and in the share option scheme disclosures set out in note 43 to the financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement 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, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

Share Options

A summary of the existing share option scheme adopted on 29 April 2005 and its other details are set out in note 43 to the financial statements. Details of the options to subscribe for shares of the Company granted under such scheme and their movements during the year are set out below:

	Number of share options									Closing price
Name or category of participants	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	At 31 December 2008	Date of grant[1]	Exercise period	Exercise price[2] HK$ per share	immediately before the date of grant HK$ per share
Directors										
Lam How Mun Peter	2,000,000	–	–	–	–	2,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,939,000	–	–	–	–	1,939,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	6,000,000	–	–	–	–	6,000,000	16-02-2007	01-01-2008 to 31-12-2017	4.81	4.67
	2,000,000	–	–	–	–	2,000,000	19-04-2007	01-01-2008 to 31-12-2017	5.26	5.40
	2,000,000	–	–	–	–	2,000,000	19-04-2007	01-01-2009 to 31-12-2018	5.26	5.40
	4,000,000	–	–	–	–	4,000,000	27-04-2007	01-01-2008 to 31-12-2017	5.37	5.40
	1,800,000	–	–	(1,800,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	1,800,000	–	–	(1,800,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	1,800,000	–	–	–	1,800,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	1,800,000	–	–	–	1,800,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	21,539,000	3,600,000	–	(3,600,000)	–	21,539,000				
Leung Chun Cheong	500,000	–	(500,000)[3]	–	–	–	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	500,000	–	–	–	–	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	500,000	–	–	–	500,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	500,000	–	–	–	500,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	2,000,000	1,000,000	(500,000)	(1,000,000)	–	1,500,000				
Leung Wai Fai	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	500,000	–	–	–	500,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	500,000	–	–	–	500,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	3,000,000	1,000,000	–	(1,000,000)	–	3,000,000				

Name or category of participants	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	At 31 December 2008	Date of grant [1]	Exercise period	Exercise price [2] HK$ per share	Closing price immediately before the date of grant HK$ per share
	Number of share options									
Poon Ho Yee Agnes	500,000	–	–	–	–	500,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	500,000	–	–	–	–	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	500,000	–	–	–	500,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	500,000	–	–	–	500,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	2,000,000	1,000,000	–	(1,000,000)	–	2,000,000				
Wong Kim Wing	1,000,000	–	–	(1,000,000)	–	–	29-10-2007	03-01-2009 to 02-01-2019	15.22	14.82
	1,000,000	–	–	(1,000,000)	–	–	29-10-2007	03-01-2010 to 02-01-2020	15.22	14.82
	–	1,000,000	–	–	–	1,000,000	10-07-2008	03-01-2009 to 02-01-2019	5.27	5.20
	–	1,000,000	–	–	–	1,000,000	10-07-2008	03-01-2010 to 02-01-2020	5.27	5.20
	2,000,000	2,000,000	–	(2,000,000)	–	2,000,000				
Wu Hong Cho	400,000	–	–	–	–	400,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	400,000	–	–	–	–	400,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	–	–	(500,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	500,000	–	–	–	500,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	500,000	–	–	–	500,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	1,800,000	1,000,000	–	(1,000,000)	–	1,800,000				
Employees										
In aggregate	2,700,000	–	(1,175,000)[4]	–	–	1,525,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	2,700,000	–	–	–	(50,000)	2,650,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	–	(300,000)[3]	–	–	200,000	19-04-2007	01-01-2008 to 31-12-2017	5.26	5.40
	500,000	–	–	–	–	500,000	19-04-2007	01-01-2009 to 31-12-2018	5.26	5.40
	2,150,000[5]	–	–	(2,150,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	2,150,000[5]	–	–	(2,150,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	200,000	–	–	(200,000)	–	–	29-10-2007	30-01-2009 to 29-01-2019	15.22	14.82
	200,000	–	–	(200,000)	–	–	29-10-2007	30-01-2010 to 29-01-2020	15.22	14.82
	280,000	–	–	(280,000)	–	–	02-11-2007	18-02-2009 to 17-02-2019	15.34	15.72
	280,000	–	–	(280,000)	–	–	02-11-2007	18-02-2010 to 17-02-2020	15.34	15.72
	–	800,000	–	(800,000)	–	–	03-01-2008	28-03-2009 to 27-03-2019	11.30	11.20
	–	800,000	–	(800,000)	–	–	03-01-2008	28-03-2010 to 27-03-2020	11.30	11.20
	–	80,000	–	(80,000)	–	–	25-03-2008	01-04-2010 to 31-03-2020	7.02	5.77
	–	80,000	–	(80,000)	–	–	25-03-2008	01-04-2011 to 31-03-2021	7.02	5.77
	–	2,150,000	–	–	–	2,150,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	2,150,000	–	–	–	2,150,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	–	200,000	–	–	–	200,000	10-07-2008	30-01-2009 to 29-01-2019	5.27	5.20
	–	200,000	–	–	–	200,000	10-07-2008	30-01-2010 to 29-01-2020	5.27	5.20
	–	280,000	–	–	–	280,000	10-07-2008	18-02-2009 to 17-02-2019	5.27	5.20
	–	280,000	–	–	–	280,000	10-07-2008	18-02-2010 to 17-02-2020	5.27	5.20
	–	800,000	–	–	–	800,000	10-07-2008	28-03-2009 to 27-03-2019	5.27	5.20
	–	800,000	–	–	–	800,000	10-07-2008	28-03-2010 to 27-03-2020	5.27	5.20
	–	80,000	–	–	–	80,000	10-07-2008	01-04-2010 to 31-03-2020	5.27	5.20
	–	80,000	–	–	–	80,000	10-07-2008	01-04-2011 to 31-03-2021	5.27	5.20
	11,660,000	8,780,000	(1,475,000)	(7,020,000)	(50,000)	11,895,000				
Others	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
In aggregate	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000[5]	–	–	(500,000)	–	–	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000[5]	–	–	(500,000)	–	–	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	500,000	–	–	–	500,000	10-07-2008	10-07-2008 to 30-06-2018	5.27	5.20
	–	500,000	–	–	–	500,000	10-07-2008	01-07-2009 to 30-06-2019	5.27	5.20
	3,000,000	1,000,000	–	(1,000,000)	–	3,000,000				
Total	**46,999,000**	**19,380,000**	**(1,975,000)**	**(17,620,000)**	**(50,000)**	**46,734,000**				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
3. The weighted average closing price of the shares immediately before the exercise date of the options was HK$11.20.
4. The weighted average closing price of the shares immediately before the respective exercise dates of the options was HK$8.89.
5. Reclassification was made to reflect the change in a participant's entitlement category.

The directors have estimated the fair value of the share options granted during the year, including share options granted to replace those options granted during the period from August 2007 to March 2008, calculated using the binomial option pricing model as at the date of grant of options as follows:

Grantees	Number of options granted during the year	Fair value of share options HK$
Dr. Lam How Mun Peter	3,600,000	497,000
Mr. Leung Chun Cheong	1,000,000	138,000
Mr. Leung Wai Fai	1,000,000	138,000
Ms. Poon Ho Yee Agnes	1,000,000	138,000
Dr. Wong Kim Wing	2,000,000	967,000
Mr. Wu Hong Cho	1,000,000	138,000
Employees	8,780,000	10,296,000
Others	1,000,000	138,000
	19,380,000	12,450,000

The fair value of share options calculated using the binomial model is subject to certain fundamental limitations, due to the subject nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The fair value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Discloseable Interests and Short Positions of Shareholders under SFO

As at 31 December 2008, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares held (long positions)	Approximate percentage of issued share capital of the Company
Regulator	Beneficial interest	254,239,636 [1]	11.85
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	254,239,636 [1]	11.85
Yugang	Interest of controlled corporation	254,239,636 [1]	11.85
Chongqing	Interest of controlled corporation	254,239,636 [1]	11.85
Palin Holdings Limited ("Palin")	Interest of controlled corporation	254,239,636 [1]	11.85
Thrivetrade	Beneficial interest	1,039,925,571 [2]	48.49

Notes:

1. The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI which is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing, Timmex and Mr. Cheung Chung Kiu in aggregate as to 44.06%. Chongqing, Timmex and Palin are controlled by Mr. Cheung Chung Kiu. The said interests were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under paragraph "Interests in the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

2. These shares were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under paragraph "Interests in the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as at 31 December 2008, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO.

Disclosure under Rules 13.18 and 13.21 of the Listing Rules

In accordance with the requirement of Rule 13.21 of the Listing Rules, details of all loan facilities, which existed during the year, including conditions relating to specific performance of the controlling shareholders of the Company are reported below.

On 3 January 2008, an agreement (the "Agreement") was entered into between the Company as borrower, various companies in the Group as guarantors, The Hongkong and Shanghai Banking Corporation Limited as agent and various financial institutions as lenders, whereby a 3-year term loan facility of HK$1,950,000,000 (the "Facility") was provided to the Company. Under the Agreement, a specific performance obligation was imposed on Mr. Cheung Chung Kiu to control 35% or more of the beneficial shareholding interest in the issued capital of the Company carrying 35% or more of the voting rights and to have management control of the Company. Non-compliance with the aforesaid obligation by Mr. Cheung Chung Kiu would constitute an event of default under the Agreement upon the occurrence of which the lenders shall have the right to cancel their commitments under the Facility; to declare all or any part of the loan made under the Facility immediately due and payable; and/or to declare all or any part of the loan made under the Facility payable on demand.

As at 31 December 2008, the outstanding loan balance was HK$1,950,000,000.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2008 and up to the date of this report as required under the Listing Rules.

Auditors

Ernst & Young were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Deloitte Touche Tohmatsu with effect from 27 December 2006. Save as aforesaid, there had been no other changes of the Company's auditors in the past three financial years.

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 27 March 2009

ERNST & YOUNG
安 永

To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of C C Land Holdings Limited set out on pages 51 to 111, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
27 March 2009

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**1,395,643**	910,759
Cost of sales		**(1,277,237)**	(770,813)
Gross profit		**118,406**	139,946
Other income and gains	5	**244,436**	547,763
Selling and distribution costs		**(65,247)**	(33,395)
Administrative expenses		**(248,741)**	(125,125)
Other expenses	6	**(1,298,468)**	(110,127)
Finance costs	7	**(40,584)**	(27,113)
Share of profits and losses of:			
Jointly-controlled entities		**(14,569)**	(4,271)
Associates		**(1,707)**	3,032
PROFIT/(LOSS) BEFORE TAX	8	**(1,306,474)**	390,710
Tax	11	**227,837**	512,901
PROFIT/(LOSS) FOR THE YEAR		**(1,078,637)**	903,611
Attributable to:			
Equity holders of the parent	12	**(837,145)**	905,495
Minority interests		**(241,492)**	(1,884)
		(1,078,637)	903,611
DIVIDEND			
Proposed final	13	**42,893**	108,315
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		**(38.70) HK cents**	46.10 HK cents
Diluted		**N/A**	45.85 HK cents

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**286,668**	284,911
Investment properties	16	**250,294**	197,250
Prepaid land lease payments	17	**2,222,536**	25,061
Goodwill	18	**–**	39,259
Interests in jointly-controlled entities	19	**1,210,921**	894,452
Interests in associates	21	**2,747**	36,333
Convertible note receivable - loan portion	22	**34,212**	32,859
Available-for-sale equity investments	23	**150,757**	426,174
Properties under development	25.1	**6,901,012**	7,804,480
Interests in land use rights for property development	25.2	**389,098**	2,060,442
Pledged time deposits	32	**–**	611,572
Total non-current assets		**11,448,245**	12,412,793
CURRENT ASSETS			
Properties under development	25.1	**851,486**	710,300
Completed properties held for sale	25.3	**352,682**	158,871
Land development rights	26	**166,270**	290,358
Prepaid land lease payments	17	**58,066**	657
Inventories	27	**74,941**	82,437
Trade and bills receivables	28	**116,126**	147,842
Prepayments, deposits and other receivables	29	**551,522**	294,789
Equity investments at fair value through profit or loss	24	**5,855**	34,022
Conversion option derivative	22	**31**	1,858
Tax recoverable		**20,140**	9,515
Deposits with brokerage companies	31	**906**	12,748
Pledged time deposits	32	**328,167**	135,542
Restricted bank balances	32	**11,940**	28,594
Cash and cash equivalents	32	**1,665,469**	1,947,116
Total current assets		**4,203,601**	3,854,649
CURRENT LIABILITIES			
Trade payables	33	**521,135**	471,613
Other payables and accruals	34	**478,630**	704,650
Loans from minority shareholders of subsidiaries	35	**48,463**	48,274
Interest-bearing bank and other borrowings	36	**940,566**	734,972
Tax payable		**25,648**	27,092
Due to a related party	30	**20,000**	19,970
Consideration payable on acquisition of subsidiaries	37	**3,100**	55,000
Consideration payable on acquisition of group of assets	37	**–**	542,372
Total current liabilities		**2,037,542**	2,603,943

	Notes	2008 HK$'000	2007 HK$'000
NET CURRENT ASSETS		**2,166,059**	1,250,706
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,614,304**	13,663,499
NON-CURRENT LIABILITIES			
Consideration payable on acquisition of a subsidiary	37	**–**	2,000
Interest-bearing bank and other borrowings	36	**1,828,646**	918,639
Deferred tax liabilities	38	**1,898,014**	2,088,558
Total non-current liabilities		**3,726,660**	3,009,197
Net assets		**9,887,644**	10,654,302
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	39	**214,463**	216,538
Reserves	40(a)	**9,018,254**	9,521,430
Proposed final dividend	13	**42,893**	108,315
		9,275,610	9,846,283
Minority interests		**612,034**	808,019
Total equity		**9,887,644**	10,654,302

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to equity holders of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Surplus account HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Available–for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		180,538	4,276,770	90,554	22,994	–	763,661	1,972	90,269	5,426,758	6,677	5,433,435
Exchange realignment		–	–	–	385,371	–	–	–	–	385,371	2,947	388,318
Fair value changes on available-for-sale equity investments		–	–	–	–	376,271	–	–	–	376,271	–	376,271
Deferred tax debited to equity	38	–	–	–	–	(94,068)	–	–	–	(94,068)	–	(94,068)
Total income and expense recognised directly in equity		–	–	–	385,371	282,203	–	–	–	667,574	2,947	670,521
Profit for the year		–	–	–	–	–	905,495	–	–	905,495	(1,884)	903,611
Total income and expense for the year		–	–	–	385,371	282,203	905,495	–	–	1,573,069	1,063	1,574,132
Issue of shares	39	36,000	2,825,791	–	–	–	–	–	–	2,861,791	–	2,861,791
Acquisitions of shareholding of subsidiaries		–	–	–	–	–	–	–	–	–	676,466	676,466
Minority interests in group of assets acquired		–	–	–	–	–	–	–	–	–	123,813	123,813
Final 2006 dividend declared		–	–	–	–	–	–	–	(90,269)	(90,269)	–	(90,269)
Proposed final 2007 dividend	13	–	–	–	–	–	(108,315)	–	108,315	–	–	–
Equity-settled share option arrangements	43	–	–	–	–	–	–	74,934	–	74,934	–	74,934
At 31 December 2007		216,538	7,102,561*	90,554*	408,365*	282,203*	1,560,841*	76,906*	108,315	9,846,283	808,019	10,654,302
At 1 January 2008		216,538	7,102,561*	90,554*	408,365*	282,203*	1,560,841*	76,906*	108,315	9,846,283	808,019	10,654,302
Exchange realignment		-	-	-	560,433	-	-	-	-	560,433	48,089	608,522
Fair value changes on available-for-sale equity investments		-	-	-	-	(302,435)	-	-	-	(302,435)	-	(302,435)
Deferred tax credited to equity	38	-	-	-	-	75,609	-	-	-	75,609	-	75,609
Total income and expense recognised directly in equity		-	-	-	560,433	(226,826)	-	-	-	333,607	48,089	381,696
Loss for the year		-	-	-	-	-	(837,145)	-	-	(837,145)	(241,492)	(1,078,637)
Total income and expense for the year		-	-	-	560,433	(226,826)	(837,145)	-	-	(503,538)	(193,403)	(696,941)
Exercise of share options		197	14,527	-	-	-	-	(4,855)	-	9,869	-	9,869
Partial disposal of an interest in a subsidiary		-	-	-	-	-	-	-	-	-	1,828	1,828
Repurchases of shares	39	(2,272)	(29,494)	-	-	-	-	-	-	(31,766)	-	(31,766)
Dividend paid to a minority shareholder		-	-	-	-	-	-	-	-	-	(4,410)	(4,410)
Final 2007 dividend declared		-	-	-	-	-	-	-	(108,315)	(108,315)	-	(108,315)
Proposed final 2008 dividend	13	-	-	-	-	-	(42,893)	-	42,893	-	-	-
Equity-settled share option arrangements	43	-	-	-	-	-	-	63,077	-	63,077	-	63,077
At 31 December 2008		214,463	7,087,594*	90,554*	968,798*	55,377*	680,803*	135,128*	42,893	9,275,610	612,034	9,887,644

Note: The surplus account represents the aggregate of the reserves other than the retained profits of the subsidiaries at 1 April 1998 and the excess of the nominal value of the shares issued and issuable by the Company over the nominal value of the issued share capital of the subsidiaries acquired pursuant to the group reorganisation in 1998.

* These reserve accounts comprise the consolidated reserves of HK$9,018,254,000 (2007: HK$9,521,430,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(1,306,474)**	390,710
Adjustments for:			
Impairment/(write-back of impairment) of trade receivables	5,6	**(515)**	442
Write-back of impairment of other receivables	5	**(31,360)**	(82,194)
Impairment of goodwill	6	**32,786**	4,848
Impairment of interests in associates	6	**29,538**	–
Impairment of prepaid land lease payments	6	**393,208**	–
Impairment of properties under development	6	**518,471**	–
Impairment of interests in land use rights for property development	6	**178,027**	–
Impairment of completed properties held for sale	6	**30,549**	–
Loss arising from land development rights	6	**4,377**	–
Interest income on bank deposits	5	**(32,151)**	(54,664)
Other interest income	5	**(6,024)**	–
Depreciation and amortisation	8	**76,808**	16,855
Finance costs	7	**40,584**	27,113
Share of profits and losses of jointly-controlled entities		**14,569**	4,271
Share of profits and losses of associates		**1,707**	(3,032)
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	5,6	**4,684**	(2,177)
Fair value loss/(gain) on a conversion option derivative	5,6	**1,827**	(115)
Fair value gains on investment properties	5	**(22,337)**	(28,555)
Gain on disposal of investment properties	5	**(1,966)**	–
Gain on partial disposal of an interest in a subsidiary	5	**(138,392)**	–
Interest income from a convertible note receivable	8	**(2,103)**	(2,628)
Gain on disposal of items of property, plant and equipment	5	**(111)**	(341)
Excess over the cost of acquisition of subsidiaries	5	**–**	(372,483)
Equity-settled share option expense	6	**63,077**	74,934
Allowance for obsolete inventories	8	**2,880**	1,453
		(148,341)	(25,563)
Increase in properties under development		**(770,660)**	(842,737)
Increase in land development rights		**(1,827)**	(285,701)
Increase in interests in land use rights for property development		**(343,617)**	(753,225)
Decrease in completed properties held for sale		**691,512**	42,875
Decrease in inventories		**4,616**	6,684
Decrease in trade, bills and other receivables, prepayments and deposits		**65,280**	60,688
Decrease in equity investments at fair value through profit or loss		**23,483**	8,736
Decrease/(increase) in deposits with brokerage companies		**11,842**	(12,404)
Decrease/(increase) in restricted bank balances		**16,654**	(28,594)
Increase/(decrease) in trade and other payables and accruals		**(236,961)**	316,032
Increase/(decrease) in consideration payable in respect of acquisition of group of assets		**(578,541)**	542,372
Minority interests in a group of assets acquired		**–**	123,813
Cash used in operations		**(1,266,560)**	(847,024)
Tax paid, net		**(31,436)**	(10,495)
Interest paid		**(139,315)**	(62,697)
Net cash outflow from operating activities		**(1,437,311)**	(920,216)

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	41	–	(257,790)
Dividend received from associates		2,340	4,657
Investments in jointly-controlled entities		–	(517,572)
Loans to jointly-controlled entities, net		(273,173)	(373,750)
Decrease/(increase) in pledged time deposits		427,342	(575,227)
Purchases of items of property, plant and equipment		(19,157)	(24,164)
Repayment of loans from associates		–	8,976
Interest received from bank deposits		32,151	54,664
Interest received from a convertible note receivable		750	750
Other interest received		6,024	–
Proceeds from disposal of items of property, plant and equipment		1,911	2,351
Proceeds from partial disposal of an interest in a subsidiary		31,160	–
Proceeds from disposal of investment properties		3,561	–
Decrease in consideration payable on acquisition of an associate		–	(3,000)
Decrease in consideration payable on acquisition of subsidiaries		(48,900)	(200,000)
Net cash inflow/(outflow) from investing activities		164,009	(1,880,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(108,315)	(90,269)
Dividend paid to a minority shareholder		(4,410)	–
Proceeds from issue of shares	39	–	2,861,791
Repurchase of shares	39	(31,766)	–
Exercise of share options	39	9,869	–
Loans from/(to) minority shareholders of subsidiaries		(891)	40,274
Additions of bank borrowings, net		1,327,584	470,084
Addition/(repayment) of an other loan		(300,000)	300,000
Net cash inflow from financing activities		892,071	3,581,880
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(381,231)	781,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,947,116	1,151,788
Effect of foreign exchange rate changes, net		99,584	13,769
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,665,469	1,947,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	1,032,262	1,946,433
Non-pledged time deposits with original maturity of less than three months when acquired	32	633,207	683
		1,665,469	1,947,116

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**162,152**	161,533
Property, plant and equipments	15	**1,672**	1,957
Total non-current assets		**163,824**	163,490
CURRENT ASSETS			
Prepayments, deposits and other receivables	29	**574**	573
Due from subsidiaries	20	**9,602,495**	7,655,792
Tax recoverable		**–**	763
Cash and cash equivalents	32	**129**	119
Total current assets		**9,603,198**	7,657,247
CURRENT LIABILITIES			
Other payables and accruals	34	**15,714**	6,573
Due to subsidiaries	20	**–**	100,385
Interest-bearing bank borrowings	36	**188,186**	–
Tax payable		**151**	–
Total current liabilities		**204,051**	106,958
NET CURRENT ASSETS		**9,399,147**	7,550,289
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,562,971**	7,713,779
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	36	**1,749,271**	–
Deferred tax liabilities		**12**	121
Total non-current liabilities		**1,749,283**	121
Net assets		**7,813,688**	7,713,658
EQUITY			
Issued capital	39	**214,463**	216,538
Reserves	40(b)	**7,556,332**	7,388,805
Proposed final dividend	13	**42,893**	108,315
Total equity		**7,813,688**	7,713,658

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

1. Corporate Information

C C Land Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

(i) manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(ii) manufacture and sale of soft luggage, travel bags, backpacks and briefcases;

(iii) treasury investment; and

(iv) property development and investment.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the prior year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Impact of New and Revised HKFRSs

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. The adoption of these new interpretations and amendments has had no significant effect on these financial statements.

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

The principal effects of adopting these new and revised HKFRSs are as follows:

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

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

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

2.2 Impact of New and Revised HKFRSs *(Continued)*

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

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

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

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

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

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

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

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

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

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 Impact of Issued But Not Yet Effective HKFRSs

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

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

2.3 Impact of Issued But Not Yet Effective HKFRSs *(Continued)*

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

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

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

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

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 Summary of Significant Accounting Policies *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Plant and machinery	10%
Moulds	15%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents assets in the course of construction for production or administrative purposes. They are stated at cost less any impairment losses, and are not depreciated. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings in property, plant and equipment.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the balance sheet date are classified under current assets. On completion, the properties are transferred to completed properties held for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices on an individual property basis.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Dividends earned are reported as dividend income and are recognised in the income statement as "Revenue" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost *(Continued)*

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 was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 Summary of Significant Accounting Policies *(Continued)*

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at bank including time deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of properties, when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectibility of related receivables is reasonably assured;

(c) rental income from properties, in the period in which the properties are let and on a straight-line basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) income from the sale of listed securities, on the trade date.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 43 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 Summary of Significant Accounting Policies *(Continued)*

Share-based payment transactions *(Continued)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The 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 capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 3.74% (2007: 4.47%) has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease or other contract and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2008 was HK$250,294,000 (2007: HK$197,250,000).

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment loss on trade and other receivables

In determining whether impairment loss on trade and other receivable is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant customers and reports to management on the recoverability. Impairment loss is only made for receivables that are unlikely to be collected.

3. Significant Accounting Judgements and Estimates *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2008, there was no goodwill arising from the acquisition of subsidiaries and associates (2007: HK$39,259,000 and HK$29,538,000, respectively). More details are given in notes 18 and 21, respectively.

Land appreciation taxes

Land appreciation tax in the People's Republic of China (the "PRC") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to land appreciation taxes. However, the implementation of these taxes varies amongst various cities in Mainland China and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement and the provision for land appreciation taxes in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2008 was HK$1,419,000 (2007: HK$1,389,000). The amount of unrecognised tax losses at 31 December 2008 was HK$145,019,000 (2007: HK$33,062,000). Further details are contained in note 38 to the financial statements.

4. Segment Information

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

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

Sale of packaging products segment	–	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, and display units
Sale of travel bags segment	–	Manufacture and trading of soft luggage, travel bags, backpacks and briefcases
Treasury investment segment	–	Investments in securities and convertible notes, and provision of financial services
Property development and investment segment	–	Development and investment of properties located in Mainland China

In determining the Group's geographical segments, revenues are attributed to segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. Segment Information *(Continued)*

(a) Business segments

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

Year ended 31 December 2008

	Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
Segment revenue	434,953	229,285	(581)	731,986	1,395,643
Segment results	18,795	(32,520)	(9,004)	(1,128,265)	(1,150,994)
Unallocated corporate expenses					(172,866)
Unallocated corporate income					74,246
Share of profits and losses of:					
Jointly-controlled entities	–	–	–	(14,569)	(14,569)
Associates					(1,707)
Finance costs					(40,584)
Loss before tax					(1,306,474)
Tax					227,837
Loss for the year					(1,078,637)
Assets and liabilities					
Segment assets	272,725	126,597	47,722	13,883,838	14,330,882
Interests in jointly-controlled entities	–	–	–	1,210,921	1,210,921
Interests in associates					2,747
Tax recoverable	–	1,294	–	18,846	20,140
Unallocated corporate assets					87,156
Total assets					15,651,846
Segment liabilities	61,490	60,162	1,018	932,930	1,055,600
Tax payable	14	–	7,564	18,070	25,648
Deferred tax liabilities	922	545	38	1,896,509	1,898,014
Interest-bearing bank and other borrowings	–	31,769	–	2,737,443	2,769,212
Unallocated corporate liabilities					15,728
Total liabilities					5,764,202
Other segment information:					
Capital expenditure:					
Property, plant and equipment	2,549	972	–	15,636	19,157
Depreciation	7,867	2,115	73	10,097	20,152
Amortisation of prepaid land lease payments	573	74	–	56,385	57,032
Fair value losses on equity investments at fair value through profit or loss, net	–	–	4,684	–	4,684
Impairment/(write-back of impairment) of trade receivables	627	(1,093)	–	(49)	(515)
Write-back of impairment of other receivables	–	–	–	(31,360)	(31,360)
Fair value gains on investment properties	–	–	–	(22,337)	(22,337)
Impairment of goodwill	8,968	23,818	–	–	32,786
Impairment of interests in associates					29,538
Impairment losses recognised in respect of the Group's properties portfolio	–	–	–	1,120,255	1,120,255

4. Segment Information *(Continued)*

(a) Business segments *(Continued)*

Year ended 31 December 2007

	Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
Segment revenue	411,141	419,408	18,805	61,405	910,759
Segment results	33,829	958	15,781	17,498	68,066
Unallocated corporate expenses					(131,429)
Unallocated corporate income					109,942
Excess over the cost of acquisition of subsidiaries	–	–	–	372,483	372,483
Share of profits and losses of:					
Jointly-controlled entities	–	–	–	(4,271)	(4,271)
Associates					3,032
Finance costs					(27,113)
Profit before tax					390,710
Tax					512,901
Profit for the year					903,611
Assets and liabilities					
Segment assets	253,259	185,860	70,379	14,728,292	15,237,790
Interests in jointly-controlled entities	–	–	–	894,452	894,452
Interests in associates					36,333
Tax recoverable	–	294	–	9,221	9,515
Unallocated corporate assets					89,352
Total assets					16,267,442
Segment liabilities	72,630	91,526	5,277	1,365,994	1,535,427
Tax payable	612	–	8,223	18,257	27,092
Deferred tax liabilities	1,040	737	–	2,086,781	2,088,558
Interest-bearing bank and other borrowings	–	40,431	–	1,613,180	1,653,611
Unallocated corporate liabilities					308,452
Total liabilities					5,613,140
Other segment information:					
Capital expenditure:					
Property, plant and equipment	5,785	1,603	–	18,753	26,141
Investment properties	–	–	–	31,630	31,630
Depreciation	7,763	2,449	73	5,997	16,282
Amortisation of prepaid land lease payments	575	67	–	15	657
Fair value gains on equity investments at fair value through profit or loss, net	–	–	(2,177)	–	(2,177)
Impairment/(write-back of impairment) of trade receivables	(927)	1,872	–	(503)	442
Write-back of impairment of other receivables	–	–	–	(82,194)	(82,194)
Fair value gains on investment properties	–	–	–	(28,555)	(28,555)

4. Segment Information *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical segments based on the location of customers, irrespective of the origin of goods:

	Segment revenue	
	2008 **HK$'000**	2007 HK$'000
Mainland China	**757,346**	88,754
Hong Kong	**151,848**	144,600
Europe	**237,306**	205,641
North and South America	**191,325**	409,338
Others	**57,818**	62,426
	1,395,643	910,759

An analysis of the carrying amounts of segment assets and capital expenditure, analysed based on the geographical areas in which the assets are located has not been presented, as more than 90% of the Group's assets are situated in the PRC, including Hong Kong.

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross proceeds from sale of properties, net of business tax; net gains/(losses) on disposal of equity investments at fair value through profit or loss; gross rental income received and receivable from investment properties and dividend income from listed and unlisted investments during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	Notes	**2008** **HK$'000**	2007 HK$'000
Revenue			
Sale of goods		**664,237**	830,550
Sale of properties		**712,315**	43,752
Rental income		**12,019**	13,873
Gains/(losses) on disposal of equity investments at fair value through profit or loss, net		**(3,252)**	15,543
Dividend income from listed investments		**8,221**	2,657
Dividend income from unlisted investments		**–**	1,756
Others		**2,103**	2,628
		1,395,643	910,759
Other income and gains			
Interest income on bank deposits		**32,151**	54,664
Other interest income		**6,024**	–
Excess over the cost of acquisition of subsidiaries	41	**–**	372,483
Fair value gains on equity investments at fair value through profit or loss, net		**–**	2,177
Gain on partial disposal of an interest in a subsidiary		**138,392**	–
Gain on disposal of investment properties		**1,966**	–
Gain on disposal of items of property, plant and equipment		**111**	341
Write-back of impairment of trade receivables	28	**515**	–
Write-back of impairment of other receivables	29	**31,360**	82,194
Fair value gain on investment properties	16	**22,337**	28,555
Fair value gain on a conversion option derivative		**–**	115
Others		**11,580**	7,234
		244,436	547,763

6. Other Expenses

	Notes	Group 2008 HK$'000	2007 HK$'000
Exchange losses, net		**38,537**	27,672
Impairment of goodwill	18	**32,786**	4,848
Impairment of interests in associates	21	**29,538**	–
Fair value losses on equity investments at fair value through profit or loss, net		**4,684**	–
Fair value loss on a conversion option derivative		**1,827**	–
Impairment of prepaid land lease payments	17	**393,208**	–
Impairment of properties under development	25.1	**518,471**	–
Impairment of interests in land use rights for property development	25.2	**178,027**	–
Impairment of completed properties held for sale	25.3	**30,549**	–
Impairment of trade receivables	28	**–**	442
Loss arising from land development rights		**4,377**	–
Equity-settled share option expense	43	**63,077**	74,934
Others		**3,387**	2,231
		1,298,468	110,127

7. Finance Costs

	Group 2008 HK$'000	2007 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**143,990**	62,684
Imputed interest expense from consideration payable on acquisition of associates	**–**	13
Total interest	**143,990**	62,697
Less: Interest capitalised	**(103,406)**	(35,584)
	40,584	27,113

8. Profit/(Loss) Before Tax

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

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold		**373,655**	538,084
Cost of properties sold		**691,512**	42,875
Allowance for obsolete inventories		**2,880**	1,453
Depreciation	15	**20,152**	16,282
Less: Amount capitalised		**(376)**	(84)
		19,776	16,198
Amortisation of prepaid land lease payments	17	**57,032**	657
Minimum lease payments under operating leases in respect of land and buildings		**4,967**	3,044
Auditors' remuneration		**3,400**	3,008
Employee benefits expense (including directors' remuneration (note 9)):			
Wages and salaries		**110,963**	58,817
Equity-settled share option expense		**59,556**	69,250
Retirement benefits scheme contributions		**2,561**	1,716
Less: Amount capitalised		**(12,861)**	(3,074)
		160,219	126,709
Foreign exchange differences, net		**38,537**	27,672
Gross rental income, net of business tax		**(12,019)**	(13,873)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**3,337**	2,646
Net rental income		**(8,682)**	(11,227)
Interest income from convertible note receivable		**(2,103)**	(2,628)

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Fees	**1,250**	950
Other emoluments:		
Salaries, allowances and benefits in kind	**17,216**	10,727
Performance related bonuses*	**10,520**	7,600
Equity-settled share option expense	**36,116**	52,682
Retirement benefit scheme contributions	**736**	465
	65,838	72,424

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the directors and comparable market statistics during the year.

9. Directors' Remuneration *(Continued)*

During the year, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 43 to the financial statements. The fair values of such options which have been recognised in the income statement over the vesting periods were determined as at the dates of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

During the year, the Group also provided a leasehold property in Hong Kong as the quarter for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, is HK$600,000 (2007: HK$600,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008 HK$'000	2007 HK$'000
Mr. Lam Kin Fung Jeffrey	**350**	350
Mr. Leung Yu Ming Steven	**300**	75
Dr. Wong Lung Tak Patrick	**300**	75
Mr. Wong Wai Kwong David	**–**	200
Mr. Wong Yat Fai	**–**	188
	950	888

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total remuneration HK$'000
2008						
Executive directors:						
Mr. Cheung Chung Kiu	**–**	**–**	**–**	**–**	**–**	**–**
Dr. Lam How Mun Peter	**–**	**5,800**	**5,000**	**13,311**	**240**	**24,351**
Mr. Tsang Wai Choi	**–**	**2,080**	**2,500**	**–**	**96**	**4,676**
Mr. Lam Hiu Lo	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Leung Chun Cheong	**–**	**1,495**	**500**	**2,843**	**69**	**4,907**
Mr. Leung Wai Fai	**–**	**1,300**	**1,000**	**3,521**	**60**	**5,881**
Ms. Poon Ho Yee Agnes	**–**	**1,495**	**300**	**2,843**	**69**	**4,707**
Dr. Wong Kim Wing	**–**	**3,746**	**720**	**10,890**	**142**	**15,498**
Mr. Wu Hong Cho	**–**	**1,300**	**500**	**2,708**	**60**	**4,568**
	–	**17,216**	**10,520**	**36,116**	**736**	**64,588**
Non-executive director:						
Mr. Wong Yat Fai	**300**	**–**	**–**	**–**	**–**	**300**
	300	**17,216**	**10,520**	**36,116**	**736**	**64,888**
2007						
Executive directors:						
Mr. Cheung Chung Kiu	–	–	–	–	–	–
Dr. Lam How Mun Peter	–	4,500	5,000	38,512	180	48,192
Mr. Tsang Wai Choi	–	1,287	500	–	57	1,844
Mr. Lam Hiu Lo	–	–	–	–	–	–
Mr. Leung Chun Cheong	–	1,365	500	3,173	63	5,101
Mr. Leung Wai Fai	–	1,040	1,000	5,022	48	7,110
Ms. Poon Ho Yee Agnes	–	1,365	300	3,173	63	4,901
Mr. Wu Hong Cho	–	1,170	300	2,802	54	4,326
	–	10,727	7,600	52,682	465	71,474
Non-executive director:						
Mr. Wong Yat Fai	62	–	–	–	–	62
	62	10,727	7,600	52,682	465	71,536

10. Five Highest Paid Employees

The five highest paid employees during the year included three (2007: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2007: two) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances, and benefits in kind	**2,883**	1,600
Performance related bonuses	**1,300**	1,200
Equity-settled share option expense	**8,491**	10,414
Retirement benefits scheme contributions	**133**	73
	12,807	13,287

During the year, the non-director, highest paid employees were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 43 to the financial statements. The fair values of such options which have been recognised in the income statement over the vesting periods were determined as at the dates of grant, and the amount included in the financial statements for the current year is included in the above remuneration disclosures.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2008	2007
HK$5,000,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$7,000,000	**2**	–
HK$7,000,001 to HK$8,000,000	**–**	1
	2	2

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable in Mainland China have been calculated at the rates prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	HK$'000
Group:		
Current charge for the year		
Hong Kong	**4,000**	6,937
Mainland China	**2,546**	6
	6,546	6,943
Overprovision in prior years		
Hong Kong	**(1,243)**	228
Mainland China	**(3,899)**	(5,600)
	(5,142)	(5,372)
Land appreciation tax charge for the year	**17,964**	–
Overprovision for land appreciation tax in prior years	**–**	(13,928)
Deferred tax (note 38)	**(247,205)**	(500,544)
	(227,837)	(512,901)

11. Tax *(Continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory/applicable rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate is as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Profit/(loss) before tax	**(1,306,474)**	390,710
Tax at the statutory/applicable tax rates of different jurisdictions	**(321,181)**	132,715
Tax effect of Hong Kong profits tax at concessionary rate	**(1,490)**	(2,667)
Lower tax rate for specific provinces or enacted by local authority	**(13,253)**	–
Adjustments in respect of current tax of previous periods	**(5,142)**	(5,372)
Profits and losses attributable to jointly-controlled entities	**3,642**	1,410
Profits and losses attributable to associates	**282**	(531)
Income not subject to tax	**(34,284)**	(161,318)
Expenses not deductible for tax	**97,776**	45,037
Utilisation of tax losses brought forward from previous years	**(5,635)**	(16)
Tax losses not recognised	**33,768**	582
Effect on opening deferred tax of decrease in rate	**(115)**	(506,271)
Effect of PRC land appreciation tax	**17,964**	(13,928)
Others	**(169)**	(2,542)
Tax credit at the Group's effective rate	**(227,837)**	(512,901)

The share of tax credit attributable to jointly-controlled entities and associates amounting to HK$906,000 (2007:HK$Nil) and HK$27,000 (2007: tax charge of HK$725,000) respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

12. Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent

The consolidated profit/(loss) attributable to ordinary equity holders of the parent for the year ended 31 December 2008 includes a profit of HK$79,065,000 (2007: loss of HK$56,059,000) which has been dealt with in the financial statements of the Company (note 40(b)).

13. Dividend

	2008 **HK$'000**	2007 HK$'000
Proposed final – HK$0.02 (2007: HK$0.05) per ordinary share	**42,893**	108,315

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of the current and the prior years.

14. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the prior year is based on the profit for that year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

14. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent *(Continued)*

The calculations of basic and diluted earnings/(loss) per share are based on:

	2008 HK$'000	2007 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(837,145)**	905,495

	Number of shares 2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,162,913,430**	1,964,176,779
Effect of dilution - weighted average number of ordinary shares:		
Share options		10,623,238
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation		1,974,800,017

A diluted loss per share amount for the year ended 31 December 2008 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the current year.

15. Property, Plant and Equipment

Group

	Land and Buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008									
At 31 December 2007 and at 1 January 2008:									
Cost	258,890	7,023	2,729	25,645	18,910	36,484	10,993	477	361,151
Accumulated depreciation	(19,629)	(4,582)	(1,749)	(13,639)	(3,705)	(24,634)	(8,302)	–	(76,240)
Net carrying amount	239,261	2,441	980	12,006	15,205	11,850	2,691	477	284,911
At 1 January 2008, net of accumulated depreciation	239,261	2,441	980	12,006	15,205	11,850	2,691	477	284,911
Additions	2,126	598	–	5,331	8,348	1,118	412	1,224	19,157
Disposals	–	–	–	(350)	(248)	(1,202)	–	–	(1,800)
Transfer to investment properties (note 16)	(3,382)	–	–	–	–	–	–	–	(3,382)
Depreciation provided during the year	(8,524)	(843)	(273)	(3,453)	(4,042)	(2,109)	(908)	–	(20,152)
Exchange realignment	6,457	–	–	360	784	358	–	(25)	7,934
At 31 December 2008, net of accumulated depreciation	235,938	2,196	707	13,894	20,047	10,015	2,195	1,676	286,668
At 31 December 2008:									
Cost	264,496	7,621	2,729	30,775	27,787	35,333	11,405	1,676	381,822
Accumulated depreciation	(28,558)	(5,425)	(2,022)	(16,881)	(7,740)	(25,318)	(9,210)	–	(95,154)
Net carrying amount	235,938	2,196	707	13,894	20,047	10,015	2,195	1,676	286,668

15. Property, Plant and Equipment *(Continued)*

Group

	Land and Buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007									
At 1 January 2007:									
Cost	250,009	5,296	2,729	21,015	4,772	33,921	10,475	–	328,217
Accumulated depreciation	(11,645)	(4,072)	(1,476)	(11,567)	(2,198)	(22,221)	(7,384)	–	(60,563)
Net carrying amount	238,364	1,224	1,253	9,448	2,574	11,700	3,091	–	267,654
At 1 January 2007, net of accumulated depreciation	238,364	1,224	1,253	9,448	2,574	11,700	3,091	–	267,654
Additions	4,019	1,943	–	4,200	12,606	2,131	518	724	26,141
Disposals	(1,165)	(167)	–	(236)	(183)	(10)	–	(249)	(2,010)
Acquisition of subsidiaries (note 41)	–	–	–	655	1,998	–	–	–	2,653
Depreciation provided during the year	(8,115)	(559)	(273)	(2,260)	(1,917)	(2,240)	(918)	–	(16,282)
Exchange realignment	6,158	–	–	199	127	269	–	2	6,755
At 31 December 2007, net of accumulated depreciation	239,261	2,441	980	12,006	15,205	11,850	2,691	477	284,911
At 31 December 2007:									
Cost	258,890	7,023	2,729	25,645	18,910	36,484	10,993	477	361,151
Accumulated depreciation	(19,629)	(4,582)	(1,749)	(13,639)	(3,705)	(24,634)	(8,302)	–	(76,240)
Net carrying amount	239,261	2,441	980	12,006	15,205	11,850	2,691	477	284,911

Certain of the Group's leasehold buildings were pledged to banks to secure banking facilities granted to the Group (note 36).

Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as an allocation between the land and the buildings elements that cannot be determined reliably.

The carrying value of buildings shown above comprises:

	2008 HK$'000	2007 HK$'000
Buildings situated in Hong Kong:		
Long term leases	**83,614**	85,418
Medium term leases	**5,907**	6,065
	89,521	91,483
Buildings situated in Mainland China:		
Long term leases	**73,567**	75,073
Medium term leases	**72,850**	72,705
	146,417	147,778
	235,938	239,261

15. Property, Plant and Equipment *(Continued)*

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2008			
At 31 December 2007 and at 1 January 2008:			
Cost	**1,566**	**545**	**2,111**
Accumulated depreciation	**(120)**	**(34)**	**(154)**
Net carrying amount	**1,446**	**511**	**1,957**
At 31 December 2007, net of accumulated depreciation	**1,446**	**511**	**1,957**
Additions	**–**	**85**	**85**
Depreciation provided during the year	**(313)**	**(57)**	**(370)**
At 31 December 2008, net of accumulated depreciation	**1,133**	**539**	**1,672**
At 31 December 2008:			
Cost	**1,566**	**630**	**2,196**
Accumulated depreciation	**(433)**	**(91)**	**(524)**
Net carrying amount	**1,133**	**539**	**1,672**

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2007			
At 1 January 2007	–	–	–
Additions	1,566	545	2,111
Depreciation provided during the year	(120)	(34)	(154)
At 31 December 2007, net of accumulated depreciation	1,446	511	1,957
At 31 December 2007:			
Cost	1,566	545	2,111
Accumulated depreciation	(120)	(34)	(154)
Net carrying amount	1,446	511	1,957

16. Investment Properties

	Group 2008 HK$'000	Group 2007 HK$'000
Carrying amount at 1 January	**197,250**	128,262
Additions	**–**	31,630
Transfer from properties under development (note 25.1)	**16,495**	–
Transfer from property, plant and equipment (note 15)	**3,382**	–
Transfer to completed properties held for sale (note 25.3)	**–**	(897)
Disposals during the year	**(1,595)**	–
Net gain from a fair value adjustment	**22,337**	28,555
Exchange realignment	**12,425**	9,700
Carrying amount at 31 December	**250,294**	197,250

At 31 December 2008, the Group's investment properties were situated in Mainland China and were held under long term leases.

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis, on 31 December 2008. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 44(a).

At the balance sheet date, the Group's investment properties with an aggregate carrying amount of HK$89,834,000 were pledged to secure banking facilities granted to the Group (2007: HK$77,447,000 and HK$ 17,061,000 to the Group and a related company of a former joint venture partner, respectively) (note 36).

17. Prepaid Land Lease Payments

	Group 2008 HK$'000	Group 2007 HK$'000
Carrying amount at 1 January	**25,718**	26,149
Transfer from properties under development (note 25.1)	**2,645,013**	–
Transfer from interests in land use rights for property development (note 25.2)	**59,925**	–
Impairment during the year	**(393,208)**	–
Recognised during the year	**(57,032)**	(657)
Exchange realignment	**186**	226
Carrying amount at 31 December	**2,280,602**	25,718
Current portion	**(58,066)**	(657)
Non-current portion	**2,222,536**	25,061

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	Group 2008 HK$'000	Group 2007 HK$'000
Long term leases	**1,133,129**	872
Medium term leases	**1,147,473**	24,846
	2,280,602	25,718

At the balance sheet date, the Group's prepaid land lease payments with an aggregate carrying amount of HK$563,177,000 (2007: Nil) were pledged to secure banking facilities granted to the Group (note 36).

18. Goodwill

	Group HK$'000
Cost and carrying amount at 1 January 2007	35,139
Acquisition of a subsidiary	8,968
Impairment during the year	(4,848)
At 31 December 2007	39,259
At 31 December 2007:	
Cost	44,107
Accumulated impairment	(4,848)
Net carrying amount	39,259
Cost at 1 January 2008, net of accumulated impairment	**39,259**
Adjustment of contingent consideration	**(6,473)**
Impairment during the year	**(32,786)**
At 31 December 2008	**–**
At 31 December 2008:	
Cost	**37,634**
Accumulated impairment	**(37,634)**
Net carrying amount	**–**

Impairment testing of goodwill

Goodwill arising from the acquisition of subsidiaries has been allocated to the following cash-generating units for impairment testing:

- Travel bags products cash-generating unit; and
- Display products cash-generating unit.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Travel bags products		Display products		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Carrying amount of goodwill	**–**	30,291	**–**	8,968	**–**	39,259

Travel bags products cash-generating unit

The recoverable amount of the travel bags products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 14.6% (2007: 4.96%) and the cash flows beyond the five-year period are extrapolated using a steady growth rate.

An impairment loss of HK$23,818,000 (2007: HK$4,848,000) was recognised during the year due to the increase in market competition, resulting in substantial decrease in orders placed by the largest customer which adversely affect the future growth and profits of the Group's travel bags product business.

18. Goodwill *(Continued)*

Impairment testing of goodwill *(Continued)*

Display products cash-generating unit

The recoverable amount of the display products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 13.6% (2007: 4.96%) and the cash flows beyond the five-year period are extrapolated using a steady growth rate.

An impairment loss of HK$8,968,000 (2007: Nil) was recognised during the year due to the decrease in market demand and increase in operating expenses which adversely affect the future growth and profits of the Group's display products business.

Key assumptions were made in the value in use calculation of the travel bags products and display products cash-generating units as at 31 December 2008 and 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins takes into account the average gross margins achieved in the year immediately before the budget year and the expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the cash-generating unit.

19. Interests in Jointly-controlled Entities

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	**563,998**	520,702
Loans to jointly-controlled entities	**736,391**	373,750
Loan from a jointly-controlled entity	**(89,468)**	–
	1,210,921	894,452

The loans to/from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the loans approximate to their fair values.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**167,627**	194,083
Non-current assets	**1,393,835**	733,524
Current liabilities	**(74,614)**	(406,905)
Non-current liabilities	**(922,850)**	–
Net assets	**563,998**	520,702
Share of the jointly-controlled entities' results:		
Other income	**1,059**	448
Total expenses	**(15,628)**	(4,719)
Loss after tax	**(14,569)**	(4,271)

19. Interests in Jointly-controlled Entities *(Continued)*

Particulars of the Group's principal jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Benefit East Investments Limited	Ordinary share of US$1 each	British Virgin Islands	25	25	25	Investment holding
Chengdu Guojia Cheer Gain Property Company Limited* (成都國嘉志得置業有限公司)	Registered capital of RMB400 million	PRC	50	50	50	Property development and investment
Chongqing Champion Globe Company Limited	Registered capital of HK$163 million	PRC	25	25	25	Property development and investment
Chongqing Champion King Company Limited	Registered capital of HK$163 million	PRC	25	25	25	Property development and investment
Chongqing Sino Land Company Limited	Registered capital of HK$370 million	PRC	25	25	25	Property development and investment
Sichuan Zhong Yu Property Development Company Limited* (四川中渝物業發展有限公司)	Registered capital of RMB15 million	PRC	50	50	50	Property development and investment

* Direct translation from the Chinese name which is for identification purposes only.

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

20. Interests in Subsidiaries

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	**159,921**	159,921
Capital contribution in respect of employee share-based compensation	**2,231**	1,612
	162,152	161,533

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured and interest-free, and have no fixed terms of repayment. The carrying amounts of these amounts approximate to their fair values.

20. Interests in Subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Ample Win Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Brilliant Smart Corporation Limited	Hong Kong	Ordinary HK$1	100	Investment holding
C C Land Management Limited	Hong Kong	Ordinary HK$1	100	Corporate management
Charm Best Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Cheer Gain Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Dominio Mark International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Dragon Pioneer Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Empire New Assets Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Excel Sky (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Global Palace Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100	Property holding
Good Wave International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Grand Fortune Enterprises Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Grow Rising Investment Limited	Hong Kong	Ordinary HK$1	60	Investment holding
Harbour Crest Holdings Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Ho Yeung Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Hoi Tin Universal Limited (note c)	Hong Kong	Ordinary HK$1,000,000	60	Sale of soft luggage, travel bags, backpacks and briefcases
Hoi Tin Universal Travel Goods (Suzhou) Limited## (海天環球旅游用品(蘇州)有限公司) (note c)	PRC/Mainland China	Registered US$5,000,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and briefcases
Join Wise Enterprises Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Joyview Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Kee Fat International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Keen Star Limited#	British Virgin Islands	Ordinary US$2	100	Investment holding
King Place Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Marvel Leader Investments Limited# (note a)	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Massive Vast Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Mega Star International Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Merry Full Investments Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding

20. Interests in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Qualipak Development Limited# (note a)	British Virgin Islands	Ordinary US$10,000	100	Investment holding
Qualipak Finance Limited	Hong Kong	Ordinary HK$2	100	Provision of financial services
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857 (note b)	100	Manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Starthigh International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Theme Production House Limited*	Hong Kong	Ordinary HK$1,000,000	51	Trading of acrylic products and display units
Victor Shiny Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Wealthy New Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Win Peak Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Winning Hand Management Limited	British Virgin Islands/ Mainland China	Ordinary US$1	100	Property holding
Wisdom Gain Group Limited#	British Virgin Islands	Ordinary US$10,000	60	Investment holding
Wisdom Way Limited	Hong Kong	Ordinary HK$2	100	Property holding
Worthwell Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$50,000	100	Investment holding
Young Comfort Development Limited* (note c)	Hong Kong	Ordinary HK$10,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and briefcases
Chengdu Tian Fu Shui Cheng Real Estate Development Company Limited**/## (成都天府水城房地產開發有限公司)	PRC/Mainland China	Registered US$21,000,000	60	Property development and investment
Chongqing Basic Property Holdings Limited## (重慶立基置業有限公司)	PRC/Mainland China	Registered HK$60,960,000	100	Property development and investment
Chongqing Juxin Property Development (Group) Company Limited**/## (重慶聚信房地產開發(集團)有限公司)	PRC/Mainland China	Registered RMB469,200,000	100	Property development and investment
Chongqing Lucky Boom Realty Company## (重慶瑞昌房地產有限公司)	PRC/Mainland China	Registered US$33,650,000	100	Property development and investment
Chongqing Top Construction Realty Company## (重慶卓建房地產有限公司)	PRC/Mainland China	Registered HK$700,000,000	100	Property development and investment
Chongqing Top Pioneer Realty Company## (重慶頂添置業有限公司)	PRC/Mainland China	Registered US$50,000,000	100	Property development and investment

20. Interests in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Verakin Real Estate Company Limited**/### (重慶同景置業有限公司)	PRC/Mainland China	Registered RMB302,800,000	51	Property development and investment
Chongqing Victor Shiny Real Estate Development Company Limited## (重慶浚亮房地產開發有限公司)	PRC/Mainland China	Registered US$30,000,000	100	Property development and investment
Chongqing Zhong Yu Property Development Company Limited## (重慶中渝物業發展有限公司)	PRC/Mainland China	Registered US$107,000,000	100	Property development and investment
Chongqing Shuaitong Property Development Company Limited**/## (重慶帥通物業發展有限公司)	PRC/Mainland China	Registered RMB10,000,000	100	Property development and investment
Sichuan Hengchen Real Estate Development Company Limited**/### (四川恆辰房產開發有限公司)	PRC/Mainland China	Registered RMB50,000,000	60	Property development and investment
Sichuan Jingdu Real Estate Company Limited**/### (四川經都置業有限公司)	PRC/Mainland China	Registered RMB82,000,000	60	Property development and investment
Sichuan Senxin Real Estate Company Limited**/## (四川森信置業有限公司)	PRC/Mainland China	Registered US$29,800,000	100	Property development and investment
Sichuan Star Massive Realty Limited## (四川星浩置業有限公司)	PRC/Mainland China	Registered US$15,000,000	100	Property development and investment
Sichuan Yongqiao Land Company Limited**/### (四川雍橋置業有限公司)	PRC/Mainland China	Registered RMB100,000,000	95	Property development and investment
Yunnan Zhong Yu Land Development Company Limited**/### (雲南中渝置地發展有限公司)	PRC/Mainland China	Registered RMB50,000,000	70	Property development and investment

These are investment holding companies which have no specific principal place of operations.
These companies are registered as wholly-owned foreign enterprises under PRC law.
These companies are registered as Sino-foreign joint ventures under PRC law.
* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.
** Direct translation from the Chinese name which is for identification purposes only.

Notes:

(a) Except for Qualipak Development Limited and Marvel Leader Investments Limited, the equity interests of all principal subsidiaries are indirectly held by the Company.

(b) The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting.

(c) Hoi Tin Universal Limited directly holds the entire interest in Hoi Tin Universal Travel Goods (Suzhou) Limited and Young Comfort Development Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. Interests in Associates

	Group	
	2008 **HK$'000**	2007 HK$'000
Share of net assets	**2,747**	6,795
Goodwill on acquisition	**31,438**	31,438
	34,185	38,233
Provision for impairment	**(31,438)**	(1,900)
	2,747	36,333

The movement of goodwill arising from the acquisition of associates is set out below.

	HK$'000
Cost at 1 January 2007, net of accumulated impairment	29,538
Impairment during the year	–
At 31 December 2007	29,538
At 31 December 2007:	
Cost	31,438
Accumulated impairment	(1,900)
Net carrying amount	29,538
Cost at 1 January 2008, net of accumulated impairment	29,538
Impairment during the year	(29,538)
At 31 December 2008	–
At 31 December 2008:	
Cost	31,438
Accumulated impairment	(31,438)
Net carrying amount	–

Impairment testing of goodwill

Goodwill arising from the acquisition of interests in associates has been allocated to the corkscrews and kitchenware products cash-generating unit.

The recoverable amount of the corkscrews and kitchenware products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection is 12.6% (2007: 4.96%) and the cash flows beyond the five-year period are extrapolated using a steady growth rate.

An impairment loss of HK$29,538,000 (2007:HK$1,900,000) was recognised during the year due to the increase in market competition and operating expenses which adversely affect the future growth and profits of the corkscrews and kitchenware products business.

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rate used is before tax and reflects specific risks relating to the unit.

21. Interests In Associates *(Continued)*

Impairment testing of goodwill *(Continued)*

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Technical International Holdings Limited	British Virgin Islands	Ordinary shares of US$1 each	30	Investment holding
T Plus Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware
Technical Development (HK) Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware
Technical (HK) Manufacturing Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All the above associates are held by wholly-owned subsidiaries of the Company and were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network. They have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2008 HK$'000	2007 HK$'000
Assets	**39,380**	48,378
Liabilities	**(30,223)**	(25,380)
Revenue	**152,561**	156,728
Profit/(loss)	**(5,691)**	10,107

22. Convertible Note Receivable

	Group	
	2008 HK$'000	2007 HK$'000
Unlisted convertible note:		
Loan portion	**34,212**	32,859
Conversion option derivative at fair value	**31**	1,858
	34,243	34,717

At 31 December 2008, the Group held an unlisted convertible note with a principal amount of HK$37,500,000 (2007: HK$37,500,000), which was issued by a company listed on the Stock Exchange. The convertible note confers rights to the bearers to convert the whole or part of the outstanding principal amount into shares of the issuer at a conversion price of HK$33.5 per share in the defined period. The convertible note bears interest at a rate of 2% per annum.

22. Convertible Note Receivable *(Continued)*

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date of the convertible note, and can only be redeemed by the Group at its face value upon maturity in June 2011 to the extent of the amount not previously converted.

The fair value of the loan portion of the convertible note is determined based on an effective interest rate of 6.47% on initial recognition and the fair value of the conversion option derivative is determined using the Black-Scholes Option Pricing model.

23. Available-for-sale Equity Investments

	Group	
	2008 HK$'000	2007 HK$'000
Listed equity investment, at fair value	**131,760**	408,309
Unlisted equity investment, at cost	**18,997**	17,865
	150,757	426,174

During the year, the net unrealised loss of the Group's available-for-sale investments recognised directly in equity amounted to HK$226,826,000 (2007: net gain of HK$282,203,000).

The above equity investments represent the equity interests held by the Group in entities established in the PRC.

The fair value of the above listed equity investment was based on quoted price in the market.

The unlisted equity investment of the Group was stated at cost less any impairment losses and not at fair value because it did not have quoted market price in an active market, the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of it in the near future.

The market value of the Group's listed available-for-sale equity investment at the date of approval of these financial statements was approximately HK$176,869,000.

24. Equity Investments at Fair Value Through Profit or Loss

	Group	
	2008 HK$'000	2007 HK$'000
Listed equity investments in Hong Kong, at market value	**5,855**	34,022

The above investments at 31 December 2008 and 2007 were classified as held for trading.

The fair values of the above investments were determined based on quoted prices in the market.

The market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$5,678,000.

25.1 Properties Under Development

	Group	
	2008 HK$'000	2007 HK$'000
At beginning of year	**8,514,780**	6,507,250
Acquisition of a subsidiary (note 41)	**–**	679,906
Additions (including development costs and capitalised interest)	**867,760**	878,405
Impairment during the year	**(518,471)**	–
Transfer from interests in land use rights for property development (note 25.2)	**1,914,319**	–
Transfer to completed properties held for sale (note 25.3)	**(904,202)**	(10,132)
Transfer to prepaid land lease payments (note 17)	**(2,645,013)**	–
Transfer to investment properties (note 16)	**(16,495)**	–
Exchange realignment	**539,820**	459,351
At end of year	**7,752,498**	8,514,780

25.1 Properties Under Development *(Continued)*

	Group	
	2008 HK$'000	2007 HK$'000
Properties under development classified as non-current assets	**6,901,012**	7,804,480
Properties under development classified as current assets	**851,486**	710,300
	7,752,498	8,514,780

The Group's properties under development are situated in Mainland China and are held under the following leases:

	2008 HK$'000	2007 HK$'000
Long term leases	**6,306,245**	7,372,663
Medium term leases	**1,446,253**	1,142,117
	7,752,498	8,514,780

At the balance sheet date, the Group's properties under development with an aggregate carry amount of HK$2,929,008,000 were pledged to secure banking facilities granted to the Group (2007: HK$2,650,065,000 and HK$ 98,837,000 to the Group and a former shareholder of a subsidiary acquired by the Group during the year, respectively) (note 36).

25.2 Interests in Land Use Rights for Property Development

	Group	
	2008 HK$'000	2007 HK$'000
At beginning of year	**2,060,442**	–
Acquisition of a subsidiary (note 41)	**–**	1,306,827
Additions	**350,299**	753,225
Impairment during the year	**(178,027)**	–
Transfer to prepaid land lease payments (note 17)	**(59,925)**	–
Transfer to properties under development (note 25.1)	**(1,914,319)**	–
Exchange realignment	**130,628**	390
At end of year	**389,098**	2,060,442

The Group's interests in land use rights for property development are in respect of the rights to use certain land situated in Mainland China over fixed periods and held under the following leases:

	2008 HK$'000	2007 HK$'000
Long term leases	**382,913**	493,222
Medium term leases	**6,185**	1,567,220
	389,098	2,060,442

As at 31 December 2008, the Group was in the progress of obtaining the relevant certificates of the above land use rights.

25.3 Completed Properties Held for Sale

	Group	
	2008 **HK$'000**	2007 HK$'000
At beginning of year	**158,871**	1,365
Acquisition of a subsidiary (note 41)	**–**	181,128
Additions	**–**	7,091
Transfer from properties under development (note 25.1)	**904,202**	10,132
Transfer from investment properties (note 16)	**–**	897
Properties sold during the year	**(691,512)**	(42,875)
Impairment during the year	**(30,549)**	–
Exchange realignment	**11,670**	1,133
At end of year	**352,682**	158,871

The Group's completed properties held for sale are situated in Mainland China and are held under the following leases:

	2008 **HK$'000**	2007 HK$'000
Long term leases	**262,378**	1,780
Medium term leases	**90,304**	157,091
	352,682	158,871

26. Land Development Rights

The land development rights refer to a contractual arrangement between Sichuan Jingdu Real Estate Company Limited ("Sichuan Jingdu"), a 60%-owned subsidiary of the Group, and certain local governmental authorities for the development of two pieces of land in Chengdu, the PRC.

Sichuan Jindu is responsible for providing funds for the relevant governmental authorities to carry out the necessary layout work and tenant relocation that bring the pieces of land to a condition ready for sale. Upon completion of the land development, the respective land will be put out for public auctions by the relevant governmental authorities and Sichuan Jingdu is entitled to share 30-60% of the profits arising from the land auctions.

	Group	
	2008 **HK$'000**	2007 HK$'000
At beginning of year	**290,358**	–
Additions	**1,805**	285,701
Settlement during the year	**(136,787)**	–
Exchange realignment	**10,894**	4,657
At end of year	**166,270**	290,358

27. Inventories

	Group	
	2008 **HK$'000**	2007 HK$'000
Raw materials	**24,504**	31,100
Work in progress	**20,515**	23,585
Finished goods	**29,922**	27,752
	74,941	82,437

28. Trade and Bills Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days, extending up to 105 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the due date and net of provisions, is as follows:

	Group					
	2008			2007		
	Neither past due nor impaired HK$'000	**Past due but not impaired HK$'000**	**Total HK$'000**	Neither past due nor impaired HK$'000	Past due but not impaired HK$'000	Total HK$'000
Less than 1 month	**83,738**	**20,453**	**104,191**	107,052	21,995	129,047
1 to 2 months	**–**	**3,528**	**3,528**	–	6,360	6,360
2 to 3 months	**–**	**1,572**	**1,572**	–	3,809	3,809
Over 3 months	**–**	**6,835**	**6,835**	–	8,626	8,626
	83,738	**32,388**	**116,126**	107,052	40,790	147,842

Trade and bills receivables included discounted bills with recourse of HK$29,356,000 (2007: HK$35,023,000) at 31 December 2008. The maturity date of the discounted bills with recourse is within three months from the inception date of the discounted bills.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in the provision for impairment of trade receivables were as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	**1,642**	7,465
Impairment losses recognised	**–**	442
Write-back of impairment	**(515)**	–
Written off during the year as uncollectible	**(1,093)**	(6,315)
Exchange realignment	**36**	50
At 31 December	**70**	1,642

The above provision for impairment of trade receivables represents provision for individually impaired trade receivables, which relates to customers that were in default. The Group does not hold any collateral or other credit enhancement over these balances.

29. Prepayments, Deposits and Other Receivables

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Prepayments	**48,575**	35,024	**566**	564
Deposits and other receivables	**502,947**	259,765	**8**	9
	551,522	294,789	**574**	573

As at 31 December 2008, business tax on deposits received from pre-sale of properties imposed by the relevant PRC tax authorities amounted to HK$10,846,000 (2007: HK$22,081,000). It is classified as and included in "Prepayments" above.

29. Prepayments, Deposits and Other Receivables *(Continued)*

The movements in the provision for impairment of other receivables were as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	**30,303**	107,217
Write-back of impairment of other receivables	**(31,360)**	(82,194)
Exchange realignment	**2,449**	5,280
At 31 December	**1,392**	30,303

30. Due to a Related Party

The related party is a company controlled by Mr. Cheung Chung Kiu ("Mr. Cheung"), a director of the Company. The balance is unsecured, interest-free, and has no fixed terms of repayment. The carrying amount of this balance approximates to its fair value.

31. Deposits With Brokerage Companies

Deposits with brokerage companies are carried at an average fixed interest rate of 2.41% (2007: 2.0%). The fair values of the deposits with brokerage companies approximate to their carrying amounts.

32. Cash and Cash Equivalents and Pledged Deposits

		Group		Company	
	Notes	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash and bank balances		**1,044,202**	1,975,027	**129**	119
Time deposits		**961,374**	747,797	**–**	–
		2,005,576	2,722,824	**129**	119
Less: Pledged time deposits:					
Non-current	(a)	**–**	(611,572)	**–**	–
Current	(b)	**(328,167)**	(135,542)	**–**	–
Restricted bank balances	(c)	**(11,940)**	(28,594)	**–**	–
Cash and cash equivalents		**1,665,469**	1,947,116	**129**	119

Notes:

(a) The time deposits were pledged to secure long term bank loans granted to the Group (note 36).

(b) The time deposits were pledged to secure general banking facilities granted to the Group (note 36).

(c) Restricted bank balances represent deposits placed with certain PRC banks and the usages of which are restricted to PRC property development activities.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$522,929,000 (2007: HK$639,267,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

33. Trade Payables

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

	Group	
	2008 HK$'000	2007 HK$'000
Within 1 month	**278,246**	131,220
1 to 2 months	**15,299**	36,704
2 to 3 months	**6,572**	277,464
Over 3 months	**221,018**	26,225
	521,135	471,613

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

34. Other Payables and Accruals

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Deposits from customers	**343,458**	568,888	**–**	–
Other payables	**96,400**	86,146	**2,632**	1
Accruals	**38,772**	49,616	**13,082**	6,572
	478,630	704,650	**15,714**	6,573

Other payables are non-interest-bearing and are normally settled within one year.

35. Loans from Minority Shareholders of Subsidiaries

The directors consider that the carrying amounts of the loans from minority shareholders of subsidiaries approximate to their fair values. The amounts are unsecured, interest-free and have no fixed terms of repayment.

36. Interest-bearing Bank and Other Borrowings

	2008			2007		
Group	**Contractual interest rate**	**Maturity**	**HK$'000**	Contractual interest rate	Maturity	HK$'000
Current						
Discounted bills with recourse	**HIBOR + (1.2% to 1.5%)/ LIBOR + 1.2%**	**2009**	**29,356**	HIBOR + (1.2% to 1.5%)/ LIBOR + 1.2%	2008	35,023
Bank loans - secured	**RMB base lending rate/ RMB base lending rate x (1 + 5% to 20%)/ 7.56%/ HIBOR + 1.5%/ Prime rate**	**2009**	**723,024**	RMB base lending rate/ RMB base lending rate x (1 + 5% to 20%)/ RMB base lending rate x (1 - 10%)/ HIBOR + 1.5%/ 6.73% to 7.56%	2008	399,949
Bank loans - unsecured	**HIBOR + 1.4%**	**2009**	**188,186**	–	–	–
Other loan - unsecured			**–**	Prime rate + 2%	2008	300,000
			940,566			734,972

36. Interest-bearing Bank and Other Borrowings *(Continued)*

Group	2008 Contractual interest rate	2008 Maturity	2008 HK$'000	2007 Contractual interest rate	2007 Maturity	2007 HK$'000
Non-current						
Bank loans - secured	RMB base lending rate/ RMB base lending rate x (1 + 5% to 20%)/ 7.56%/ HIBOR + 1.5%/ Prime rate	2010	79,375	RMB base lending rate/ RMB base lending rate x (1 + 5% to 20%)/ RMB base lending rate x (1 - 10%)/ HIBOR + 1.5%/ 6.73% to 7.56%	2009 - 2010	918,639
Bank loans - unsecured	HIBOR + 1.4%	2010 - 2011	1,749,271	–	–	–
			1,828,646			918,639
			2,769,212			1,653,611
Analysed into:						
Bank and other borrowings repayable:						
Within one year or on demand			940,566			734,972
In the second year			268,296			577,415
In the third to fifth years, inclusive			1,560,350			341,224
			2,769,212			1,653,611

Company	2008 Contractual interest rate	2008 Maturity	2008 HK$'000	2007 Contractual interest rate	2007 Maturity	2007 HK$'000
Current						
Bank loans - unsecured	HIBOR + 1.4%	2009	188,186	–	–	–
Non-current						
Bank loans - unsecured	HIBOR + 1.4%	2010 - 2011	1,749,271	–	–	–
			1,937,457			–

Notes:

(a) Certain of the Group's bank loans are secured by certain of the Group's assets with aggregate carrying amounts as listed below:

	Notes	2008 HK$'000	2007 HK$'000
Property, plant and equipment	15	5,907	6,065
Investment properties	16	89,834	77,447
Prepaid land lease payments	17	563,177	–
Properties under development	25.1	2,929,008	2,650,065
Time deposits	32	328,167	747,114

36. Interest-bearing Bank and Other Borrowings *(Continued)*

Notes: *(Continued)*

(b) Other interest rate information:

	2008 HK$'000	2007 HK$'000
Fixed rate:		
Secured bank loans	**113,393**	42,653
Floating rate:		
Discounted bills with recourse	**29,356**	35,023
Secured bank loan	**689,006**	1,275,935
Unsecured bank loan	**1,937,457**	–
Other unsecured borrowings	**–**	300,000
	2,655,819	1,610,958
	2,769,212	1,653,611

(c) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
Hong Kong Dollars (HK$)	**1,939,870**	305,408
United States dollars (US$)	**29,356**	35,023
Renminbi (RMB)	**799,986**	1,313,180
	2,769,212	1,653,611

(d) The carrying amounts of the Group's bank borrowings approximate to their fair values.

(e) In addition, certain subsidiaries of the Company have guaranteed the Company's bank loans up to HK$1,950,000,000 (2007:Nil). The Company's bank loans are also secured by a specific performance obligation imposed on Mr. Cheung and pursuant to which Mr. Cheung is required to control 35% or more of the beneficial shareholding interest in the issued capital of the Company carrying 35% or more of the voting rights and to have management control of the Company. Non-compliance with the aforesaid obligation by Mr. Cheung would constitute an event of default under the relevant loan agreement.

37. Considerations Payable on Acquisition of Subsidiaries/Group of Assets

	2008 HK$'000	2007 HK$'000
Considerations payable on acquisition of subsidiaries:		
Starthigh International Limited ("Starthigh") (note (a))	**1,100**	50,000
Hoi Tin Universal Limited ("Hoi Tin") (note (b))	**–**	5,000
Theme Production House Limited ("Theme Production") (note 41)	**2,000**	2,000
	3,100	57,000
Classified as a non-current liability	**–**	(2,000)
Classified as current liabilities	**3,100**	55,000

Notes:

(a) The amount represents the remaining consideration payable on acquisition of the 100% issued share capital of Starthigh in 2006.

(b) The amount represents the remaining consideration payable on acquisition of the 60% issued share capital of Hoi Tin in 2005.

The consideration payable on acquisition of group of assets related to the acquisition of a 100% equity interest in a PRC company which holds a piece of land in Chongqing, the PRC. Such acquisition was accounted for as an acquisition of group of assets that does not constitute a business combination under HKFRS 3.

The fair values of the considerations payable on acquisition of subsidiaries/group of assets approximate to their carrying amounts.

38. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of available-for-sale equity investments HK$'000	Total HK$'000
At 1 January 2007	2,028,143	2,855	–	2,030,998
Acquisition of a subsidiary (note 41)	342,132	–	–	342,132
Deferred tax debited to equity during the year	–	–	94,068	94,068
Deferred tax credited to the income statement during the year (note 11)	(500,542)	(217)	–	(500,759)
Exchange realignment	123,555	(47)	–	123,508
At 31 December 2007 and 1 January 2008	**1,993,288**	**2,591**	**94,068**	**2,089,947**
Deferred tax credited to equity during the year	**–**	**–**	**(75,609)**	**(75,609)**
Deferred tax credited to the income statement during the year (note 11)	**(246,658)**	**(584)**	**–**	**(247,242)**
Exchange realignment	**126,373**	**–**	**5,964**	**132,337**
At 31 December 2008	**1,873,003**	**2,007**	**24,423**	**1,899,433**

Deferred tax assets

Group

	Losses available for offsetting taxable profits HK$'000
At 1 January 2007	1,524
Deferred tax charged to the income statement during the year (note 11)	(215)
Exchange realignment	80
At 31 December 2007 and 1 January 2008	**1,389**
Deferred tax charged to the income statement during the year (note 11)	**(37)**
Exchange realignment	**67**
At 31 December 2008	**1,419**

For the purpose of the balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the net deferred tax balances of the Group for financial reporting purposes:

	2008 HK$'000	2007 HK$'000
Net deferred tax liabilities recognised in the consolidated balance sheet	**1,898,014**	2,088,558

The Company's deferred tax liabilities are in respect of deferred tax charged/credited to the income statement during the year, arising from the difference between depreciation allowance and the related depreciation.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

38. Deferred Tax *(Continued)*

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. As at 31 December 2008, there was no temporary difference associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised (2007: Nil).

The Group has tax losses arising in Hong Kong of HK$7,178,000 (2007: HK$1,944,000) and in Mainland China of HK$137,841,000 (2007: HK$31,118,000) that are available indefinitely and due to expire within four to five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

39. Share Capital

Shares

	2008 HK$'000	2007 HK$'000
Authorised:		
5,000,000,000 (2007: 5,000,000,000) ordinary shares of HK$0.10 (2007: HK$0.10) each	**500,000**	500,000
Issued and fully paid:		
2,144,633,258 (2007: 2,165,382,258) ordinary shares of HK$0.10 (2007: HK$0.10) each	**214,463**	216,538

During the year, the movements in share capital of the Company were as follows:

(a) The subscription rights attaching to 1,975,000 share options were exercised at an average price of HK$5.00 per share (note 43), resulting in the issue of 1,975,000 shares of HK$0.10 each for a total consideration, before expenses, of HK$9,869,000.

(b) The Company repurchased a total of 22,724,000 shares at an average price of HK$1.39 per share in the open market of the Stock Exchange, all of which were subsequently cancelled by the Company.

A summary of the transactions involving the Company's issued ordinary share capital during the year is as follows:

	Notes	**Number of shares in issue**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2007		18,053,822,580	180,538	4,276,770	4,457,308
Consolidation of shares		(16,248,440,322)	–	–	–
Shares placing		360,000,000	36,000	2,825,791	2,861,791
At 31 December 2007 and 1 January 2008		**2,165,382,258**	**216,538**	**7,102,561**	**7,319,099**
Exercise of share options	(a)	**1,975,000**	**197**	**14,527**	**14,724**
Repurchases of shares	(b)	**(22,724,000)**	**(2,272)**	**(29,494)**	**(31,766)**
At 31 December 2008		**2,144,633,258**	**214,463**	**7,087,594**	**7,302,057**

Share options

Details of the Company's share option scheme are set out in note 43 to the financial statements.

40. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2007		4,276,770	158,331	42,379	1,972	4,479,452
Issue of shares	39	2,825,791	–	–	–	2,825,791
Profit for the year		–	–	116,943	–	116,943
Proposed final 2007 dividend	13	–	–	(108,315)	–	(108,315)
Equity-settled share option arrangements	43	–	–	–	74,934	74,934
At 31 December 2007 and at 1 January 2008		**7,102,561**	**158,331**	**51,007**	**76,906**	**7,388,805**
Exercise of share options	39	**14,527**	**–**	**–**	**(4,855)**	**9,672**
Repurchases of shares	39	**(29,494)**	**–**	**–**	**–**	**(29,494)**
Profit for the year		**–**	**–**	**167,165**	**–**	**167,165**
Proposed final 2008 dividend	13	**–**	**–**	**(42,893)**	**–**	**(42,893)**
Equity-settled share option arrangements	43	**–**	**–**	**–**	**63,077**	**63,077**
At 31 December 2008		**7,087,594**	**158,331**	**175,279**	**135,128**	**7,556,332**

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Qualipak Development Limited at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued and issuable for the acquisition.

41. Business Combination

Year ended 31 December 2007

On 2 April 2007, the Group entered into a sale and purchase agreement to acquire 51% of the issued share capital of Theme Production, a company incorporated in Hong Kong, for a cash consideration of HK$10 million. The transaction was completed on 4 April 2007. Theme Production is engaged in the trading of acrylic products and the production of point of sales display units.

The total consideration of HK$10 million was satisfied in cash, of which HK$8 million was paid during the period, and the remaining balance of HK$2 million shall be paid after the finalisation of the adjustment as referred to in the sale and purchase agreement.

The fair values of the identifiable assets and liabilities of Theme Production as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	15	327	327
Inventories		111	111
Trade and bills receivables		2,931	2,931
Tax receivables		201	201
Deposits		328	328
Cash and bank balances		3,001	3,001
Trade and other payables		(4,875)	(4,875)
		2,024	2,024
Minority interests		(992)	
Goodwill on acquisition	18	8,968	
Total consideration		10,000	
Satisfied by:			
Cash		8,000	
Consideration payable	37	2,000	
		10,000	

41. Business Combination *(Continued)*

Year ended 31 December 2007 *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Theme Production is as follows:

	HK$'000
Cash consideration	(8,000)
Cash and bank balances acquired	3,001
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(4,999)

Since its acquisition, Theme Production contributed HK$52,708,000 to the Group's consolidated turnover and a profit of HK$4,266,000 to the Group's consolidated results for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year, the Group's consolidated turnover and profit for the year ended 31 December 2007 would have been HK$920,684,000 and HK$903,827,000, respectively.

On 24 August 2007, the Group entered into an agreement to acquire a 51% equity interest in Chongqing Verakin Real Estate Company Limited (重慶同景置業有限公司) ("Chongqing Verakin") for a cash consideration of RMB310 million. Chongqing Verakin is currently developing a high-end, large-scale, multi-phased residential and commercial project, namely Verakin New Park City, in the Chongqing Nanan Economic Development Zone.

The fair values of the identifiable assets and liabilities of the Chongqing Verakin as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Previous carrying amount** HK$'000
Property, plant and equipment	15	2,326	2,326
Properties under development	25.1	679,906	302,924
Interests in land use rights for property development	25.2	1,306,827	344,212
Completed properties for sale	25.3	181,128	152,197
Tax recoverable		9,139	9,139
Prepayments, deposits and other receivables		176,133	176,133
Cash and bank balances		77,770	77,770
Trade and other payables		(595,156)	(595,156)
Tax payable		(127)	(127)
Bank borrowings		(117,296)	(117,296)
Deferred tax liabilities	38	(342,132)	–
		1,378,518	352,122
Minority interests		(675,474)	
Excess over the cost of acquisition of a subsidiary	5	(372,483)*	
Total consideration		330,561	
Satisfied by cash		330,561	

* The above excess over the cost of acquisition of a subsidiary was primarily due to a discount offered by the vendor over the purchase consideration.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Chongqing Verakin is as follows:

	HK$'000
Cash consideration	(330,561)
Cash and bank balances acquired	77,770
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(252,791)

Since its acquisition, Chongqing Verakin contributed HK$23,929,000 to the Group's consolidated turnover and a loss of HK$5,526,000 to the Group's consolidated results for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year, the Group's consolidated turnover and profit for the year ended 31 December 2007 would have been HK$1,021,496,000 and HK$895,235,000, respectively.

42. Notes to the Consolidated Cash Flow Statement

(a) Major non-cash transactions

During the year ended 31 December 2007, the Group's amount due from a joint venture partner was settled by property, plant and equipment, investment properties and completed properties held for sale of the joint venture partner amounting to HK$1,978,000, HK$31,630,000 and HK$7,091,000, respectively.

(b) Restricted cash and cash equivalent balances

Certain of the Group's time deposits are pledged to banks to secure certain bank loans and general banking facilities granted to the Group, as further explained in notes 32 and 36.

43. Share Option Scheme

The Company operates a share option scheme (the "Scheme") which was adopted at the special general meeting of the Company held on 29 April 2005. During the year, 19,380,000 (2007: 30,860,000) share options were granted under the Scheme.

Under the Scheme, share options may be granted to directors and employees of the Group and those who have contributed or will contribute to the Group, at any time within 10 years after its adoption, at the discretion of the board of directors of the Company (the "Board"). The following is a summary of the Scheme.

For the purpose of this section, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above; and reference to "Employee" means any full-time or part-time employee (including any executive and non-executive director or proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purposes of the Scheme are to recognise the contribution of and to motivate Employees and other person(s) who may make a contribution to the Group and to provide incentives and to help the Group retain its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long-time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who, in the sole opinion of the board of directors of the Company, has contributed or is expected to contribute to the Group.

Maximum number of shares available for subscription

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee. Such period of time shall not exceed 10 years from the date of grant of the option.

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of shares as stated in daily quotation sheet of the Stock Exchange on the date on which the option is offered, which must be a trading day;

(ii) the average closing price of shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

43. Share Option Scheme *(Continued)*

Life of the Scheme

The Scheme shall remain in force for a period of 10 years from 29 April 2005 to 28 April 2015.

The movement of share options under the Scheme during the year was as follows:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**6.69**	**46,999**	4.95	16,139
Adjustment arising from consolidation of shares				
Granted during the year	**5.78**	**19,380**	7.64	30,860
Forfeited during the year	**4.95**	**(50)**	–	–
Exercised during the year	**5.00**	**(1,975)**	–	–
Replaced during the year	**10.04**	**(17,620)**	–	–
At 31 December	**5.12**	**46,734**	6.69	46,999

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.00 (2007: No share option was exercised).

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date were as follows:

2008

Number of options '000	**Exercise price*** HK$ per share	**Exercise period**
6,000	4.81	01-01-2008 to 31-12-2017
6,425	4.95	01-01-2008 to 31-12-2017
2,200	5.26	01-01-2008 to 31-12-2017
4,000	5.37	01-01-2008 to 31-12-2017
7,989	4.95	01-01-2009 to 31-12-2018
2,500	5.26	01-01-2009 to 31-12-2018
80	5.27	01-04-2010 to 31-03-2020
80	5.27	01-04-2011 to 31-03-2021
6,450	5.27	10-07-2008 to 30-06-2018
6,450	5.27	01-07-2009 to 30-06-2019
1,000	5.27	03-01-2009 to 02-01-2019
1,000	5.27	03-01-2010 to 02-01-2020
280	5.27	18-02-2009 to 17-02-2019
280	5.27	18-02-2010 to 17-02-2020
800	5.27	28-03-2009 to 27-03-2019
800	5.27	28-03-2010 to 27-03-2020
200	5.27	30-01-2009 to 29-01-2019
200	5.27	30-01-2010 to 29-01-2020
46,734		

43. Share Option Scheme *(Continued)*

2007

Number of options '000	Exercise price* HK$ per share	Exercise period
6,000	4.81	01-01-2008 to 31-12-2017
8,100	4.95	01-01-2008 to 31-12-2017
2,500	5.26	01-01-2008 to 31-12-2017
4,000	5.37	01-01-2008 to 31-12-2017
8,039	4.95	01-01-2009 to 31-12-2018
2,500	5.26	01-01-2009 to 31-12-2018
6,450	8.73	01-07-2008 to 30-06-2018
6,450	8.73	01-07-2009 to 30-06-2019
1,000	15.22	03-01-2009 to 02-01-2019
1,000	15.22	03-01-2010 to 02-01-2020
280	15.34	18-02-2009 to 17-02-2019
280	15.34	18-02-2010 to 17-02-2020
200	15.22	30-01-2009 to 29-01-2019
200	15.22	30-01-2010 to 29-01-2020
46,999		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$12,450,000 (2007: HK$103,883,000), and the Group recognised a share option expense of HK$63,077,000 (2007: HK$74,934,000) during the year.

The fair value of equity-settled share options granted during the year was estimated as at the dates of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008	2007
Dividend yield (%)	**0.95**	1.05
Expected volatility (%)	**70.85**	60.40 to 60.84
Risk-free interest rate (%)	**3.469 to 3.504**	3.778 to 4.599

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 46,734,000 (2007: 46,999,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,734,000 (2007: 46,999,000) additional ordinary shares of the Company and additional share capital of HK$4,673,000 (2007: HK$4,700,000) and share premium of HK$234,595,000 (2007: HK$309,564,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 46,734,000 share options outstanding under the Scheme, which represented approximately 2.2% of the Company's shares in issue as at that date.

44. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	**6,900**	4,740
In the second to fifth years, inclusive	**24,646**	18,096
After five years	**6,433**	8,762
	37,979	31,598

44. Operating Lease Arrangements *(Continued)*

(b) As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. The leases for the manufacturing plants, office properties and quarters are negotiated for terms of 1 to 5 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	**6,103**	4,230
In the second to fifth years, inclusive	**4,029**	5,316
	10,132	9,546

45. Commitments

In addition to the operating lease commitments detailed in note 44(b) above, the Group had the following commitments in respect of property development expenditure at the balance sheet date:

	Group	
	2008 HK$'000	2007 HK$'000
Contracted, but not provided for	**1,513,183**	1,461,191

The Group had the following share of commitments of jointly-controlled entities in respect of property development expenditure at the balance sheet date:

	Group	
	2008 HK$'000	2007 HK$'000
Contracted, but not provided for	**1,320,029**	1,593,591

At the balance sheet date, the Company did not have any significant commitments.

46. Contingent Liabilities

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**64,088**	57,800
Associates (note 48(b)(i))	**13,500**	13,500	**13,500**	13,500
	13,500	13,500	**77,588**	71,300

As at 31 December 2008, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$31,768,000 (2007: HK$ 40,431,000), and the banking facilities guaranteed by the Group to associates were utilised to the extent of approximately HK$5,194,000 (2007: HK$4,618,000).

47. Financial Guarantees

At the balance sheet date, the Group had the following financial guarantees:

	Group	
	2008 **HK$'000**	2007 HK$'000
Guarantees in respect of mortgage facilities provided for certain customers	**343,730**	231,467

The Group also had the following share of financial guarantees of a jointly-controlled entity:

	Group	
	2008 **HK$'000**	2007 HK$'000
Guarantees in respect of mortgage facilities provided for certain customers	**8,308**	–

The Group and one of its jointly-controlled entities have arranged bank financing for certain purchasers of their property units and provided guarantees to secure the obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group and the jointly-controlled entity are responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks and the banks are entitled to take over the legal title and possession of the related properties. The guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the fair value of the guarantees is not significant and in the case of default on payments, the net realisable value of the related properties will exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore no provision has been made in the financial statement for the guarantees.

48. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

		Group	
	Notes	**2008** **HK$'000**	2007 HK$'000
Rental expense paid to a related company	(i)	**1,240**	1,594
Sale of goods to an associate	(ii)	**–**	118

Notes:

(i) A wholly-owned subsidiary of the Company, C C Land Management Limited, entered into a sub-lease agreement with Chongqing Industrial Limited ("Chongqing Industrial"), a company controlled by Mr. Cheung, to lease office space from Chongqing Industrial. The rental paid was based on the floor area occupied by the Group and the market rental rates. The lease was expired during the year.

(ii) The sale to an associate was made according to the prices and conditions offered to the major customers of the Group.

(b) Other transactions with related parties

(i) At 31 December 2008, the Group executed a guarantee amounting to HK$13,500,000 (2007: HK$13,500,000) (note 46) to a bank as securities for banking facilities granted to its associates.

(ii) Details of the Group's loans from/to its jointly-controlled entities, and the amount due to a related party as at the balance sheet date are set out in notes 19 and 30 respectively.

(c) Provision of leasehold buildings to a related party for the operation of a school at nil rental

The Group's buildings and prepaid land lease payments with an aggregate carrying amount of approximately HK$16,478,000 (2007: HK$16,973,000) were provided to a family member of a director for the operation of a school free of charge.

48. Related Party Transactions *(Continued)*

(d) Compensation of key management personnel of the Group

	2008 HK$'000	2007 HK$'000
Short term employee benefits	**29,722**	19,742
Equity-settled share option expense	**36,116**	52,682
Total compensation paid to key management personnel	**65,838**	72,424

Further details of directors' emoluments are included in note 9 to the financial statements.

49. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include equity investments, convertible note receivable, trade and other receivables, trade and other payables, cash and bank balances, bank borrowings and short term deposits. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/loss before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Effect on profit/(loss) before tax HK$'000
2008		
HK$	**100**	**(5,844)**
US$	**100**	**925**
RMB	**150**	**(4,062)**
HK$	**(100)**	**5,844**
US$	**(100)**	**(925)**
RMB	**(150)**	**4,062**
2007		
HK$	100	9,629
US$	100	(195)
RMB	150	(10,109)
HK$	(100)	(9,629)
US$	(100)	195
RMB	(150)	10,109

Foreign currency risk

The Group has currency exposure as the majority of its sales from packaging products and travel bags products businesses were denominated in US$, which are pegged to HK$. On the other hand, the expenses or expenditure incurred in the operations of manufacturing plants were denominated in RMB, which exposes the Group to foreign currency risk.

The Group's property development and investment business are located in Mainland China and all transactions are conducted in RMB. Most of the assets and liabilities of this business are denominated in RMB except for HK$ and US$ short term bank deposits and bank loans.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the operating results of the Group.

49. Financial Risk Management Objectives and Policies *(Continued)*

Foreign currency risk *(Continued)*

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax.

	Increase/ (decrease) in rate	**Effect on profit/loss before tax** HK$'000
2008		
If HK$ weakens against RMB	**7%**	**(7,384)**
If HK$ strengthens against RMB	**(7%)**	**7,384**
2007		
If HK$ weakens against RMB	7%	2,876
If HK$ strengthens against RMB	(7%)	(2,876)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables and other receivables as disclosed in notes 28 and 29, respectively. In addition, the Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses have been made for irrecoverable amounts.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 47.

Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale equity investments (note 23) and equity investments at fair value through profit or loss (note 24) as at 31 December 2008. The Group's listed investments are listed on the Hong Kong and Shanghai stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2008	**High/low 2008**	31 December 2007	High/low 2007
Hong Kong - Hang Seng Index	**14,387**	**27,616/ 11,016**	27,812	31,638/ 18,664
Shanghai - A Share Index	**1,912**	**5,771/ 1,793**	5,521	6,395/ 2,744

The following table demonstrates the sensitivity to every 10% decrease (2007: 10% increase) in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

49. Financial Risk Management Objectives and Policies *(Continued)*

Price risk *(Continued)*

	Carrying amount of equity investments HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in other components of equity HK$'000
2008			
Equity investments at fair value through profit or loss listed in Hong Kong	**5,855**	**(586)**	**–**
Available-for-sale investment listed in Shanghai	**131,760**	**–**	**(13,176)**
Total	**137,615**	**(586)**	**(13,176)**
2007			
Equity investments at fair value through profit or loss listed in Hong Kong	34,022	3,402	–
Available-for-sale investment listed in Shanghai	408,309	–	40,831
Total	442,331	3,402	40,831

The Group's management manages the above exposure by maintaining a well-diversified and low value of risk factor investment portfolio.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its construction commitments and other business operations.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group			**2008**		
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**–**	**322,008**	**618,558**	**1,855,504**	**2,796,070**
Loans from minority shareholders of subsidiaries	**48,463**	**–**	**–**	**–**	**48,463**
Trade payables	**–**	**521,135**	**–**	**–**	**521,135**
Other payables	**–**	**93,235**	**–**	**3,165**	**96,400**
Due to a related party	**20,000**	**–**	**–**	**–**	**20,000**
Consideration payable on acquisition of subsidiaries	**3,100**	**–**	**–**	**–**	**3,100**
	71,563	**936,378**	**618,558**	**1,858,669**	**3,485,168**

			2007		
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	5,408	473,645	255,919	959,426	1,694,398
Loans from minority shareholders of subsidiaries	48,274	–	–	–	48,274
Trade payables	–	187,674	283,939	–	471,613
Other payables	–	86,146	–	–	86,146
Due to a related party	19,970	–	–	–	19,970
Consideration payable on acquisition of subsidiaries	50,000	5,000	–	2,000	57,000
Consideration payable on acquisition of group of assets	542,372	–	–	–	542,372
	666,024	752,465	539,858	961,426	2,919,773

49. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk *(Continued)*

Company	On demand HK$'000	2008 Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	188,186	–	1,773,673	1,961,859
Other payables	–	2,632	–	–	2,632
	–	190,818	–	1,773,673	1,964,491

All of the Company's financial liabilities as at 31 December 2007 were repayable on demand.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

The Group monitors capital using a net gearing ratio, which is net debts divided by equity attributable to equity holders of the parent. Net debts includes interest-bearing bank and other borrowings less cash and bank balances. The net gearing ratio as at the balance sheet dates were as follow:

Group

	2008 HK$'000	2007 HK$'000
Interest-bearing bank and other borrowings (note 36)	2,769,212	1,653,611
Less: cash and bank balances (note 32)	(2,005,576)	(2,722,824)
Net borrowings/(cash)	763,636	(1,069,213)
Equity attributable to equity holders of the parent	9,275,610	9,846,283
Net gearing ratio	8.2%	N/A

50. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2009.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

Results

	Year ended 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
REVENUE	**1,395,643**	910,759	794,984	445,248	294,351
PROFIT/(LOSS) BEFORE TAX	**(1,306,474)**	390,710	633,353	47,395	57,389
Tax	**227,837**	512,901	(2,436)	(4,374)	(15,277)
PROFIT/(LOSS) FOR THE YEAR	**(1,078,637)**	903,611	630,917	43,021	42,112
Attributable to:					
Equity holders of the parent	**(837,145)**	905,495	627,871	41,203	42,112
Minority interests	**(241,492)**	(1,884)	3,046	1,818	–
	(1,078,637)	903,611	630,917	43,021	42,112

Assets, Liabilities and Minority Interests

	At 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Property, plant and equipment	**286,668**	284,911	267,654	161,934	100,036
Investment properties	**250,294**	197,250	128,262	–	–
Prepaid land lease payments	**2,222,536**	25,061	25,510	25,213	22,832
Interests in jointly-controlled entities	**1,210,921**	894,452	–	–	–
Interests in associates	**2,747**	36,333	33,300	38,455	–
Properties under development	**6,901,012**	7,804,480	6,424,561	–	–
Other non-current assets	**574,067**	3,170,306	112,734	93,664	16,035
Non-current assets	**11,448,245**	12,412,793	6,992,021	319,266	138,903
Current assets	**4,203,601**	3,854,649	1,778,590	439,399	473,004
Current liabilities	**(2,037,542)**	(2,603,943)	(1,181,407)	(165,087)	(54,562)
Net current assets	**2,166,059**	1,250,706	597,183	274,312	418,442
Non-current liabilities	**(3,726,660)**	(3,009,197)	(2,155,769)	(10,197)	(2,845)
Minority interests	**(612,034)**	(808,019)	(6,677)	(3,652)	–
Equity attributable to equity holders of the parent	**9,275,610**	9,846,283	5,426,758	579,729	554,500