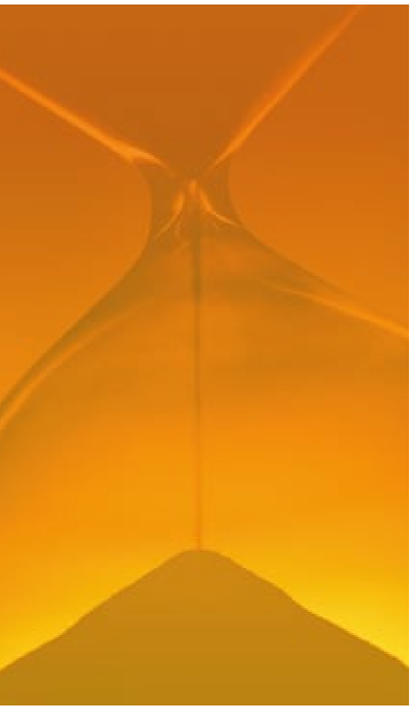
POLYTEC ASSET HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 208)

ANNUAL REPORT



2008

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Or Wai Sheun *(Chairman)*
Yeung Kwok Kwong
Wong Yuk Ching
Lam Chi Chung, Tommy
Chio Koc Ieng

Non-executive directors

Lai Ka Fai
Anthony Francis Martin Conway#
Siu Leung Yau#
Liu Kwong Sang#

Independent non-executive directors

COMPANY SECRETARY

Lau Sui Cheung

AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong
Lai Ka Fai

AUDITORS

KPMG

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Harbour Trust Co., Ltd.
P.O. Box 897GT
George Town
Grand Cayman KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

STOCK CODE

Hong Kong Stock Exchange: 208

WEBSITE

www.polytecasset.com

Five-Year Financial Summary

The following is 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 published audited financial statements and restated or reclassified as appropriate.

RESULTS

	1 January 2008 to 31 December 2008 *HK$'000*	1 January 2007 to 31 December 2007 *HK$'000*	1 January 2006 to 31 December 2006 *HK$'000*	1 January 2005 to 31 December 2005 *HK$'000*	1 December 2003 to 31 December 2004 *HK$'000* (restated*)
Turnover	**2,592,538**	3,050,768	560,831	196,827	152,882
Profit from operations	**390,458**	427,057	141,827	55,302	25,055
Change in fair value of investment properties	**(50,000)**	—	—	105,047	—
Unwinding cost for contingent forward transactions	**(485,068)**	—	—	—	—
Loss on disposals of available-for-sale financial investments	**(506,655)**	—	—	—	—
Share of results of jointly controlled entities	**(48,186)**	14,772	4,433	332,826	61,668
Provision for loan advanced to a jointly controlled entity written back	**—**	—	—	18,500	—
Finance costs	**(34,077)**	(104,073)	(81,188)	(3,437)	(249)
Profit/(loss) before tax	**(733,528)**	337,756	65,072	508,238	86,474
Income tax expenses	**3,232**	(65,058)	(16,914)	(19,100)	(4,213)
Profit/(loss) after tax	**(730,296)**	272,698	48,158	489,138	82,261
Minority interests	**202,747**	(50,508)	(18,366)	(11,724)	(3,462)
Net profit/(loss) attributable to equity holders of the Company	**(527,549)**	222,190	29,792	477,414	78,799

Five-Year Financial Summary

ASSETS AND LIABILITIES

	31 December 2008 HK$'000	31 December 2007 HK$'000	31 December 2006 HK$'000	31 December 2005 HK$'000	31 December 2004 HK$'000 (restated*)
Total assets	**13,608,904**	14,435,875	11,297,351	1,358,301	862,391
Total liabilities	**(3,293,331)**	(3,717,661)	(3,529,786)	(210,756)	(206,642)
Minority interests	**(15,363)**	(67,792)	(57,602)	(52,452)	(40,728)
Equity attributable to equity holders of the Company	**10,300,210**	10,650,422	7,709,963	1,095,093	615,021

FINANCIAL HIGHLIGHTS

	1 January 2008 to 31 December 2008	1 January 2007 to 31 December 2007	1 January 2006 to 31 December 2006	1 January 2005 to 31 December 2005	1 December 2003 to 31 December 2004 (restated*)
Increase/(decrease) in turnover *(%)*	**(15)**	444	185	29	765
Increase/(decrease) in net profit attributable to equity holders of the Company *(%)*	**N/A**	646	(94)	506	405
Net asset value attributable to equity holders of the Company per ordinary share *(HK cents)*	**232.04**	239.93	178.62	89.05	50.42
Current ratio	**1.19**	2.39	2.79	7.13	4.65
Bank borrowings to equity ratio	**0.00**	0.01	0.01	0.08	0.16
Total debts to equity ratio	**0.10**	0.14	0.40	0.08	0.16
Return on equity *(%)*	**(5.12)**	2.09	0.39	43.60	12.81
Basic earnings/(loss) per share *(HK cents)*	**(11.88)**	5.06	1.04	38.97	16.56
Dividends per share *(HK cents)*	**1.90**	1.80	1.00	2.00	—

* In compliance with Hong Kong Financial Reporting Standards, the Group has adopted certain new accounting policies since the financial year ended 31 December 2005. To conform with current presentation, certain comparative amounts in the financial period from 1 December 2003 to 31 December 2004 have been restated.

Chairman's Statement

GROUP RESULTS AND DIVIDENDS

The Group's results for 2008 were substantially impaired by the adverse impacts of the financial crisis on the Group's previously held financial investment portfolio. The Group's net loss attributable to the shareholders amounted to HK$527 million for the year ended 31 December 2008 compared to a net profit of HK$222 million in 2007.

The Board of Directors has proposed the payment of a final dividend of HK1.2 cents per share for the year ended 31 December 2008. Together with the interim dividend of HK0.7 cent per share and subject to the shareholders' approval of the final dividend at the annual general meeting of the Company, the full year dividend per share for 2008 will amount to HK1.9 cents. The final dividend will be payable on 17 June 2009 to the shareholders registered on 10 June 2009.

BUSINESS REVIEW

While the Group's finance and investment activities were significantly affected by the "once-a-century" financial crisis in the fourth quarter last year, its core property development and investment business has been relatively less affected and contributed a major portion of the Group's operating income for 2008. This was mainly due to a profit recognition amounted to HK$507 million having been made from the Group's investment in the Macau development project Villa de Mer in respect of sale of properties for the year ended 31 December 2008 and there was no such income as compared to 2007; and the Group's gross rental income from its investment property portfolio rose to HK$34.6 million in 2008, an increase of 12% over the same period in 2007.

Property Development

As of 31 December 2008, the Group's land bank for development in Macau totaled approximately 1,000,000 sq. m. gross floor area, with a majority of the sites located adjacent to the future Hong Kong-Zhuhai-Macau Bridge. The status of our major development projects in Macau is as follows.

Villa de Mer, The Orient Pearl District

Villa de Mer, the development project which is held by the Group with an 80% interest under a co-investment agreement, covers a gross floor area of approximately 138,100 sq. m. and comprises 5 towers with a total of about 1,300 residential units and a number of retail shops on the ground floor. The foundation work has been completed and the construction work for the superstructure has commenced and is expected to be completed in late 2010.

Pacifica Garden, Taipa

Pacifica Garden is the Group's 58% owned residential and commercial project in Taipa, Macau, with a gross floor area of 35,900 sq. m. in two building towers, comprising a total of 295 residential units which were already wholly pre-sold and a few retail shops on the ground floor. The construction work is expected to be completed in mid 2009.

Chairman's Statement

Lote P, The Orient Pearl District

Lote P, which is an 80% owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed by phases into various luxury residential towers, together with a large shopping arcade, a club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,800 sq. m.. The master plan of the development has been approved and the layout plan will be submitted to the relevant government authorities for approval shortly.

Lotes T & T1, The Orient Pearl District

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq. m.. This project, which the Group owns an 80% interest, will be developed into a number of high-end residential blocks with certain retail shops and car parking spaces, with an aggregate gross floor area of approximately 187,000 sq. m.. The building plan was submitted to the relevant government authorities for approval.

Property Investment

The Group's gross rental income generated from its investment properties rose to HK$34.6 million for the year ended 31 December 2008, an increase of 12% over the corresponding period of 2007. The increase was largely due to the improvement in occupancy rate of the office portion at the Group's major investment property, The Macau Square, with total rental income rising to HK$30.1 million for the full year of 2008, an increase of 14.9% over the same period in 2007.

Ice and Cold Storage

The ice manufacturing and cold storage business recorded an operating profit of HK$14.8 million for 2008, an increase of 9.6% over the same period in 2007. The Group will continue to explore possible expansion opportunities.

Finance and Investments

The meltdown on Wall Street and the global financial markets in the fourth quarter last year has had significant adverse impacts on the financial investment portfolio previously held by the Group. When the crisis intensified in October after the unexpected collapse of investment bank Lehman Brothers Holdings Inc., in order to avoid further losses on the Group's portfolio, which could be triggered by further downfall in the world financial markets, Management acted promptly to unwind over 90% of the Group's derivative obligations and liquidate most of the listed securities owned in the Group's investment portfolio.

As a result, the Group's finance and investment activities suffered a one-time substantial operating loss of HK$1,131 million for the year ended 31 December 2008 as compared to an operating profit of HK$330 million in the same period of 2007.

The Group will in future take a conservative and prudent approach on finance and investment activities. Management has been directed to limit short-term financial investment activities and to avoid derivative trading and focus on medium- and long-term investment opportunities.

Chairman's Statement

FINANCIAL REVIEW

As at 31 December 2008, the Group's total liquid assets amounted to HK$423 million, of which HK$394 million were in cash and cash equivalents. The decrease of HK$406 million as compared with the corresponding amount in last year was mainly due to the substantial reduction in finance and investment activities of the Group after the financial turmoil resulting in a decrease in held for trading investments of HK$490 million, but an increase in cash and cash equivalents of HK$84 million.

As at 31 December 2008, the major current liabilities of the Group consisted of deposits received from the pre-sale of properties at Pacifica Garden of HK$487 million and advances received from the Group's interests in Villa de Mer of HK$1,613 million. Deposits received from the pre-sale of properties represent deferred revenue of the Group and will not have any cash outflow effect on the Group. Advances received from the Group's interests in Villa de Mer will be applied against the final distribution from the Group's interests in Villa de Mer of HK$1,601 million which was made subsequent to the balance sheet date and the actual cash outflow is HK$12 million only.

The Group's gearing ratio, expressed as a percentage of total borrowings, which includes bank borrowings and the amounts due to the holding companies of the Company, over the equity attributable to equity holders of the Company, was 9.6% as of 31 December 2008. The bank borrowings of the Group are repayable over 5 years from the date of the inception of the loans by monthly instalments, are denominated in Hong Kong dollars and bear interest at the prevailing market rates and will be wholly repayable in 2009. During the year, the Group also obtained certain short-term borrowings and overdrafts for its finance and investment activities. Those short-term borrowings and overdrafts were denominated in Hong Kong dollars, bearing interest at the prevailing market rates and repaid during the year.

The outstanding balance for the acquisition from the ultimate holding company of an 80% interest in the development projects on the land situated at the Orient Pearl District in Macau was reduced to HK$686 million. This balance is unsecured and bears interest at bank lending rates and will be repaid when the liquidity position of the Group permits. Additional finance was provided to the Group by advances from its immediate holding company for the Group's working capital and other investment activities. These advances are unsecured and bear interest at prevailing market rates with no fixed repayment terms.

During the year, minority shareholders of a subsidiary have granted loans of HK$165 million to that subsidiary to finance its operations. The loans from minority shareholders are unsecured, and interest free and the minority shareholders will not demand for repayment of such loans until the liquidity position of that subsidiary permits the settlement.

As at 31 December 2008, certain assets of the Group with an aggregate net book value of approximately HK$190 million were pledged to secure credit facilities granted to the Group.

The Group's earnings for 2009 will be secured by the final distribution from the Group's interests in Villa de Mer received subsequent to the balance sheet date, which will have a significant positive impact on the results for 2009 but no material impact on the net asset value of the Group as the amount of valuation surplus in respect thereof has already been retained in the fair value reserve. Further, the completion of Pacifica Garden in Taipa will contribute additional operating income to the Group for 2009.

Chairman's Statement

The Group constantly assesses and reviews the returns of individual assets, balance between debts and equity, cost of each class of capital and associated risks of those assets and capital to determine appropriate arrangements to maximize returns to its shareholders.

PROSPECTS

The global economy has deteriorated rapidly over the past six months and it may slow down further as fears are still mounting over economic uncertainties. The Macau economy is expected to slow down considerably ending a double-digit annual growth rate period during 2003-2008 and the property market and other industries in Macau will undergo different degrees of consolidation.

However, we remain confident in the prospects of the Macau economy over the medium- and long-term as Macau still has its competitive advantage in the Greater China region as it is the only legalized gaming destination in the region. Moreover, the government's determination to build Macau into a gaming and tourist hub of Asia with its financial commitment in mega infrastructure projects will continue to add impetus to its economy which will be positive for the property market in the years ahead.

The Macau property market will likely remain under downward adjustment pressures over the short-term and the business environment in 2009 may be even more challenging than the one in 2008. However, the Group is well positioned to face the challenges caused by this economic slowdown.

With its existing sizable land bank of 1,000,000 sq. m. gross floor area in the prime locations that are adjacent to the landing point of the future Hong Kong-Zhuhai-Macau Bridge, the Group's plan is to build high quality residential complexes with different themes and to target different needs of buyers. More importantly, as this is a large scale joint-venture property development project with our parent company, the Group can also capitalize on the ultimate holding company's established reputation in the Macau property market for over two decades.

The Group is committed to intensify its effort in its property development business in Macau and will continue to enhance its competitiveness. The Group is expected to deliver good results in 2009 after a one-time substantial loss from our finance and investment activities caused by the crisis in the financial market in 2008.

The Group's earnings for 2009 will be supported by two development projects in Macau, with the income distribution from the co-investment development project Villa de Mer in the Orient Pearl District and the revenue booking from another development project Pacifica Garden in Taipa.

I would like to take this opportunity to express my gratitude to my fellow directors for their support and all staff for their dedication and hard work.

Or Wai Sheun
Chairman

Hong Kong, 7 April 2009

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 38 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 Group's loss for the year ended 31 December 2008 and the state of affairs of the Group at that date are set out in the financial statements on pages 24 to 78.

An interim dividend of HK$0.007 per share was paid on 27 November 2008. The directors now recommend the payment of a final dividend of HK$0.012 per share to the shareholders on the register of members on 10 June 2009, estimated to be HK$53,268,000.

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in notes 13 to 15 to the financial statements.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2008, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK$140,655,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2008, the Company's share premium account amounted to HK$5,912,600,000.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Or Wai Sheun *(Chairman)*
Mr. Yeung Kwok Kwong
Ms. Wong Yuk Ching
Mr. Lam Chi Chung, Tommy
Ms. Chio Koc Ieng

Non-executive director

Mr. Lai Ka Fai

Independent non-executive directors

Mr. Anthony Francis Martin Conway
Mr. Siu Leung Yau
Mr. Liu Kwong Sang

The directors of the Company, including the non-executive director and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Or Wai Sheun, Ms. Chio Koc Ieng and Mr. Lai Ka Fai will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Securities Listing on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers all the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts with the Group during the year are set out in notes 34(a), (b), (d), (e) and (f).

Save as disclosed above, no director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the interests and short positions of the directors and chief executive in the share capital of the Company or 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in shares of the Company

Name	**Capacity and nature of interests**	**Number of shares held**	**Percentage of the issued ordinary share capital** *(Note 1)*
Mr. Or Wai Sheun *(Note 2)*	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Directly beneficially owned	2,000,000	0.05%
Ms. Wong Yuk Ching	Directly beneficially owned	6,655,000	0.15%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	230,000	0.01%
Ms. Chio Koc Ieng	Directly beneficially owned	270,000	0.01%
Mr. Lai Ka Fai	Directly beneficially owned	430,000	0.01%

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long positions in shares of associated corporation — Kowloon Development Company Limited ("KDC")

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital *(Note 3)*
Mr. Or Wai Sheun *(Note 2)*	Founder and beneficiary of a trust	802,830,124	69.77%
	Through controlled corporation	277,500	0.02%
Mr. Yeung Kwok Kwong	Directly beneficially owned	165,000	0.01%
Ms. Wong Yuk Ching	Directly beneficially owned	1,110,000	0.10%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	15,000	0.00%
Ms. Chio Koc Ieng	Directly beneficially owned	210,000	0.02%
Mr. Lai Ka Fai	Directly beneficially owned	701,000	0.06%

Save as disclosed above, as at 31 December 2008, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Notes:

1. As at 31 December 2008, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.

2. Mr. Or Wai Sheun was deemed to be interested in 802,830,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

   Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.

   The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by Mr. Or Wai Sheun is the same interests in the Company as disclosed by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited under the heading of "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" below.

3. As at 31 December 2008, the total number of issued shares in KDC was 1,150,681,275 ordinary shares.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital *(Note 1)*
Kowloon Development Company Limited *(Note 4)*	Through controlled corporation	3,260,004,812	73.44%
The Or Family Trustee Limited Inc. *(Notes 2 and 4)*	Through controlled corporation	3,260,004,812	73.44%
HSBC International Trustee Limited *(Notes 3 and 4)*	Trustee	3,260,004,812	73.44%
Wachovia Corporation	Through controlled corporation	265,460,000	5.98%

Save as disclosed above, as at 31 December 2008, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Notes:

1. As at 31 December 2008, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.

2. The Or Family Trustee Limited Inc. holds 802,830,124 ordinary shares in KDC (being 69.77% of the issued ordinary share capital of KDC) and, therefore was deemed to be interested in 3,245,004,812 ordinary shares in the Company.

3. HSBC International Trustee Limited holds 803,512,624 ordinary shares in KDC (being 69.83% of the issued ordinary share capital of KDC) and therefore was deemed to be interested in 3,245,004,812 ordinary shares in the Company.

4. The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited (the "Disclosed Shareholders") respectively and by Mr. Or Wai Sheun under the heading of "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above are the same interests in the Company.

   According to the register of the Company, as at 31 December 2008, the Disclosed Shareholders were interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary share capital of the Company). On specific enquiries made, the Disclosed Shareholders have confirmed that the Disclosed Shareholders were interested in 3,260,004,812 ordinary shares in the Company. There is a difference of 15,000,000 ordinary shares between the actual numbers of shares interested in of the Disclosed Shareholders and the number of shares interested in as disclosed by the Disclosed Shareholders because the Disclosed Shareholders do not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option schemes are set out in note 30 to the financial statements.

EMPLOYEES

As at 31 December 2008, the total number of employees of the Group was about 80. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 30 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$10,000.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover were attributable to the Group's five largest customers.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 5 June 2009 to Wednesday, 10 June 2009 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2008. In order to qualify for the entitlement of the final dividend, the shareholders must ensure that all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 June 2009.

AUDITORS

Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company for the financial year ended 31 December 2005 and Messrs. KPMG has been appointed as auditors of the Company since the financial year ended 31 December 2006.

Messrs. KPMG will retire at the forthcoming annual general meeting and a resolution for the reappointment of Messrs. KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Or Wai Sheun
Chairman

Hong Kong
7 April 2009

Corporate Governance Report

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

The Company has complied with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, save for the few exceptions mentioned below.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's affairs. The Board formulates the overall strategic direction and review and approves major transaction of the Group, while the management is delegated with the power to implement policies and strategies as set out by the Board. The Board also acknowledges its responsibilities for preparing the financial statements of the Company.

The Board has a balanced composition of executive and non-executive directors. Currently, the Board comprises five Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng, one Non-executive Director, being Mr. Lai Ka Fai, and three Independent Non-executive Directors, being Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. The Directors have no financial, business, family or other material/relevant relationship. The profiles of the Directors, which are set out on pages 20 to 21, demonstrate a balance of skills and experience of the Board.

The Board has established an executive committee to delegate its management and administration functions and has formalised the function reserved by the Board and those delegated to the management. Clear direction has also been given as to the power of the management.

During the year, the Board has held four board meetings. The attendance of the Directors at the board meetings was as follows:

Directors	**Number of attendance**
Mr. Or Wai Sheun *(Chairman of the Board)*	4/4
Mr. Yeung Kwok Kwong	4/4
Ms. Wong Yuk Ching	4/4
Mr. Lam Chi Chung, Tommy	4/4
Ms. Chio Koc Ieng	3/4
Mr. Lai Ka Fai	4/4
Mr. Anthony Francis Martin Conway	4/4
Mr. Siu Leung Yau	4/4
Mr. Liu Kwong Sang	4/4

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The responsibility of the Chairman of the Board is to lead the Board to provide high-level guidance and oversight to the Group, while the Managing Director is delegated with the power to implement policies and strategies as set out by the Board.

AUDIT COMMITTEE

The present members of the Audit Committee are two Independent Non-executive Directors, being Mr. Liu Kwong Sang (Chairman) and Mr. Siu Leung Yau and one Non-executive Director, being Mr. Lai Ka Fai. During the year, the Audit Committee has held two meetings. The attendance of the Audit Committee members at the audit committee meetings was as follows:

Directors	**Number of attendance**
Mr. Liu Kwong Sang *(Chairman of the Audit Committee)*	2/2
Mr. Siu Leung Yau	2/2
Mr. Lai Ka Fai	2/2

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system. The roles of the Audit Committee include maintaining a close relationship with the external auditors, reviewing of financial information of the Company and overseeing of the Company's financial reporting system and internal control procedure.

During the year, the Audit Committee reviewed the audited financial statements for 2007 and the interim financial statements for 2008 and met with the external auditors and the management, including the qualified accountant, of the Company to discuss issues arising from the audit of the financial statements. The Audit Committee also reviewed the effectiveness of the system of internal control of the Group.

Corporate Governance Report

REMUNERATION OF DIRECTORS

The present members of the Remuneration Committee are one Executive Director, Mr. Yeung Kwok Kwong (Chairman) and three Independent Non-executive Directors, Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. During the year, the Remuneration Committee has held two committee meetings. The attendance of the Remuneration Committee members at the Remuneration Committee meeting was as follows:

Directors	Number of attendance
Mr. Yeung Kwok Kwong *(Chairman of the Remuneration Committee)*	2/2
Mr. Anthony Francis Martin Conway	2/2
Mr. Siu Leung Yau	2/2
Mr. Liu Kwong Sang	2/2

The roles of the Remuneration Committee include formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, time commitment and responsibilities, desirability of performance based remuneration, and individual performance of the Directors and Senior Management, and implement the remuneration policy laid down by the Board.

During the year, the Remuneration Committee has reviewed the remuneration policy of the Company, the directors' fees to the Non-executive Directors and the remuneration package of the Executive Directors.

NOMINATION OF DIRECTORS

The Company currently does not have a nomination committee. To maintain high quality of the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become Directors when necessary. The Board will consider the experience, qualification and other relevant factors, including the standards set out in rules 3.08 and 3.09 of the Listing Rules and rule 3.13 of the Listing Rules in case of Independent Non-executive Directors, of the eligible candidates.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors do not have a specific term of appointment, but subject to rotation in accordance with article 108(A) of the articles of association of the Company. As the Non-executive Directors are subject to rotation in accordance with the articles of association of the Company, the Board considers that the Non-executive Directors so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code on Corporate Governance Practices.

Corporate Governance Report

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

The first sentence of Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company.

As the Director appointed to fill a casual vacancy shall subject to re-election in the next following annual general meeting of the Company in accordance with the articles of association of the Company which complies with paragraph 4(2) of the Appendix 3 of the Listing Rules, the Board considers that the Directors so appointed subject to election by shareholders at the next following annual general meeting of the Company after their appointment will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code on Corporate Governance Practices.

The Company did not have any deviation from the first sentence of Code Provision A.4.2 during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year.

INTERNAL CONTROLS

The Board has the overall responsibilities of maintaining a sound and effective internal control system for the Group. The Group's system of internal control includes a defined management structure with limits of authority. The system is designed to help the Group to achieve business objectives, safeguard assets against unauthorized use, ensure the maintenance of proper accounting records for the provision of reliable financial information, and ensure compliance with relevant legislation and regulations. The system is designed to manage risks of failure in operational systems and foster achievement of corporate objectives. The internal control system is subject to the review of the Audit Committee.

AUDITORS' REMUNERATION

During the year, the remuneration paid to KPMG, the Company's auditors, are set out below:

	HK$'000
Services rendered	
— audit services	1,000

Profile of Directors

EXECUTIVE DIRECTORS

Mr. Or Wai Sheun, aged 57, joined the Company in April 2006 as the Chairman of the Board. Mr. Or has over 25 years' experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr. Or is also the chairman of the board of directors of Kowloon Development Company Limited, Intellinsight Holdings Limited, Polytec Holdings International Limited and a director of Marble King International Limited and Or Family Trustee Limited Inc., all five companies being substantial shareholders of the Company.

Mr. Yeung Kwok Kwong, aged 50, joined the Company in September 2000 as the Chairman of the Board and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 25 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited and a director of Marble King International Limited, both companies being substantial shareholders of the Company.

Ms. Wong Yuk Ching, aged 52, joined the Company in January 2002 as Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

Mr. Lam Chi Chung, Tommy, aged 54, joined the Company in October 2005 as Executive Director. Prior to joining the Company, he was an executive director of Century City International Holdings Limited and Regal Hotels International Holdings Limited. He has expertise and extensive experience in the banking, international finance, project advisory and fund management fields. He is currently responsible for the development of corporate strategies, corporate planning and corporate finance of the Group. Mr. Lam graduated from the University of Windsor, Canada with a bachelor degree of science in computer science and mathematics and also attained a master's degree of business administration in accounting and management sciences from Long Island University, U.S.A.

Ms. Chio Koc Ieng, aged 42, joined the Group in December 2004 and was appointed as Executive Director in April 2006. She has attained 20 years working experience in various prominent and well-established property development companies in Macau. She is responsible for development of corporate strategies, corporate planning and general management of the Group.

Profile of Directors

NON-EXECUTIVE DIRECTOR

Mr. Lai Ka Fai, aged 44, joined the Company in September 2000 as Executive Director, and was re-designated as Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an executive director of Kowloon Development Company Limited and a director of Marble King International Limited and Intellinsight Holdings Limited, all three companies being substantial shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway, aged 69, joined the Company in September 2000 as Independent Non-executive Director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association I.T. Management Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

Mr. Siu Leung Yau, aged 55, joined the Company in September 2000 as Independent Non-executive Director. Mr. Siu has over 25 years' experience in property agency, investment and development. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited, the Hong Kong Institute of Real Estate Administrators and Guangzhou Tianhe Political Consultative Committee and an executive director of Hong Kong Chamber of Commerce in China Guangdong.

Mr. Liu Kwong Sang, aged 47, joined the Company in July 2000 as Independent Non-executive Director. He has been practising as a certified public accountant in Hong Kong with more than 18 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants and a fellow member of the National Institute of Accountants, Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as an independent non-executive director of China Railsmedia Corporation Limited and of abc Multiactive Limited, whose securities are listed on the main board and GEM board of The Stock Exchange of Hong Kong Limited respectively, and of Pacific CMA, Inc. whose securities are listed on the American Stock Exchange. Mr. Liu was also appointed as an independent non-executive director of Tack Fat Group International Limited, whose securities are listed on the main board of The Stock Exchange of Hong Kong Limited, on 30 June 2008 and resigned on 12 September 2008.

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of
Polytec Asset Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 24 to 78, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's 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.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

7 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
TURNOVER	5	**2,592,538**	3,050,768
Cost of sales		**(2,207,262)**	(2,570,990)
Gross profit		**385,276**	479,778
Other operating income	5	**77,147**	76,430
Selling and distribution costs		**(8,316)**	(19,348)
Administrative expenses		**(17,006)**	(16,486)
Other operating expenses		**(46,643)**	(93,317)
PROFIT FROM OPERATIONS		**390,458**	427,057
Loss arising from a change in fair value of investment properties		**(50,000)**	—
Unwinding cost for contingent forward transactions	6(b)	**(485,068)**	—
Loss on disposal of available-for-sale financial investments	6(c)	**(506,655)**	—
Share of results of jointly controlled entity		**(48,186)**	14,772
Finance costs	8	**(34,077)**	(104,073)
(LOSS)/PROFIT BEFORE TAX	6	**(733,528)**	337,756
Income tax expenses	9	**3,232**	(65,058)
(LOSS)/PROFIT FOR THE YEAR		**(730,296)**	272,698
ATTRIBUTABLE TO			
— Equity holders of the Company	10	**(527,549)**	222,190
— Minority interests		**(202,747)**	50,508
		(730,296)	272,698
(LOSS)/EARNINGS PER SHARE	11		
— Basic		**(11.88 cents)**	5.06 cents
— Diluted		**(11.88 cents)**	5.05 cents
DIVIDEND PER SHARE	12(a)	**1.90 cents**	1.80 cents

The notes on pages 31 to 78 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**35,055**	36,678
Prepaid lease payments	14	**105,757**	108,577
Investment properties	15	**100,000**	150,000
Interest in jointly controlled entity	16	**365,525**	413,711
Interests in property development	17	**10,251,062**	12,013,954
Goodwill	18	**16,994**	16,994
		10,874,393	12,739,914
CURRENT ASSETS			
Amount due from jointly controlled entity	19	**196,004**	216,431
Held for trading investments	20	**28,688**	518,847
Derivative financial instruments	21	**—**	13,813
Inventories	22	**461,152**	311,627
Interests in property development	17	**1,601,329**	—
Trade and other receivables	23	**32,234**	30,729
Prepaid lease payments	14	**2,820**	2,820
Margin deposits		**17,847**	291,446
Cash and cash equivalents	24	**394,437**	310,248
		2,734,511	1,695,961
CURRENT LIABILITIES			
Trade and other payables	25	**540,969**	520,289
Amount received from interests in property development	17 & 34(b)	**1,613,516**	—
Derivative financial instruments	21	**19,903**	78,218
Bank loans — current portion	26	**36,700**	18,000
Current taxation		**92,744**	89,041
Amount due to minority shareholder	34(c)	**1,622**	4,913
		2,305,454	710,461
NET CURRENT ASSETS		**429,057**	985,500
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,303,450**	13,725,414

Consolidated Balance Sheet

At 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
NON-CURRENT LIABILITIES			
Bank loans — non-current portion	*26*	**—**	36,700
Amount due to immediate holding company	*34(f)*	**263,185**	512,868
Amount due to ultimate holding company	*34(a)*	**686,497**	902,020
Amount received from interests in property development	*17 & 34(b)*	**—**	1,508,000
Deferred taxation	*27*	**38,195**	47,612
		987,877	3,007,200
NET ASSETS		**10,315,573**	10,718,214
CAPITAL AND RESERVES			
Share capital	*28*	**443,897**	443,897
Reserves		**9,856,313**	10,206,525
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**10,300,210**	10,650,422
MINORITY INTERESTS		**15,363**	67,792
TOTAL EQUITY		**10,315,573**	10,718,214

The financial statements were approved and authorised for issue by the board of directors on 7 April 2009.

Or Wai Sheun
Director

Yeung Kwok Kwong
Director

The notes on pages 31 to 78 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital	Share premium account	Fair value reserve	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	443,897	5,912,600	3,565,954	727,971	10,650,422	67,792	10,718,214
Gain on fair value changes of interests in property development	—	—	768,437	—	768,437	—	768,437
Loss in respect of fair value changes of available-for-sale financial investments	—	—	(389,148)	—	(389,148)	(117,507)	(506,655)
Transfer to income statement upon recognition from interests in property development	—	—	(506,760)	—	(506,760)	—	(506,760)
Transfer to income statement upon disposal of available-for-sale financial investments	—	—	389,148	—	389,148	117,507	506,655
Net income recognised directly in equity	—	—	261,677	—	261,677	—	261,677
Loss for the year	—	—	—	(527,549)	(527,549)	(202,747)	(730,296)
Total recognised income/(loss) for the year	—	—	261,677	(527,549)	(265,872)	(202,747)	(468,619)
Loans from minority shareholders *(Note 31)*	—	—	—	—	—	165,090	165,090
Payment of dividends	—	—	—	(84,340)	(84,340)	(14,772)	(99,112)
At 31 December 2008	443,897	5,912,600	3,827,631	116,082	10,300,210	15,363	10,315,573

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital	Share premium account	Fair value reserve	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	431,643	5,682,256	1,042,063	554,001	7,709,963	57,602	7,767,565
Gain on fair value changes of interests in property development and net income recognised directly in equity	—	—	2,523,891	—	2,523,891	—	2,523,891
Profit for the year	—	—	—	222,190	222,190	50,508	272,698
Total recognised income for the year	—	—	2,523,891	222,190	2,746,081	50,508	2,796,589
Proceeds from issue of ordinary shares under the exercise of subscription rights attached to warrants	12,254	230,380	—	—	242,634	—	242,634
Expenses for issue of warrants	—	(36)	—	—	(36)	—	(36)
Payment of dividends	—	—	—	(48,220)	(48,220)	(40,318)	(88,538)
At 31 December 2007	443,897	5,912,600	3,565,954	727,971	10,650,422	67,792	10,718,214

The notes on pages 31 to 78 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(733,528)**	337,756
Adjustments for:			
Loss arising from a change in fair value of investment properties		**50,000**	—
Share of results of jointly controlled entity		**48,186**	(14,772)
Dividend income from listed securities		**(19,803)**	(4,224)
Interest income		**(5,624)**	(21,471)
Income from interests in property development		**(506,760)**	—
Loss/(gain) arising from a change in fair value of held for trading investments		**17,739**	(42,730)
(Gain)/loss arising from a change in fair value of derivative financial instruments, net		**(44,502)**	68,204
Depreciation		**2,790**	2,473
Amortisation of prepaid lease payments		**2,820**	2,820
Impairment loss on inventories		**3,657**	—
Loss on disposal of property, plant and equipment		**7**	—
Finance costs		**34,077**	104,073
Operating cash flow before working capital changes		**(1,150,941)**	432,129
Increase in amount due from jointly controlled entity		**—**	(100)
Decrease/(increase) in held for trading investments		**472,420**	(236,755)
(Increase)/decrease in inventories		**(153,182)**	7,714
Increase in trade and other receivables		**(1,505)**	(5,952)
Decrease/(increase) in margin deposits		**273,599**	(225,452)
Increase in trade and other payables		**22,446**	202,447
Cash (used in)/generated from operations		**(537,163)**	174,031
Amount received from interests in property development		**336,300**	—
Interest received		**5,624**	21,471
Interest paid		**(1,360)**	(3,351)
Dividends received from listed securities		**19,803**	4,224
Tax paid		**(2,482)**	(1,048)
Net cash (used in)/generated from operating activities		**(179,278)**	195,327

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,174)**	(190)
Acquisition of a subsidiary	32(a)	**—**	(3,978)
Advances to jointly controlled entities		**—**	(10,229)
Repayment of advance to jointly controlled entity		**20,427**	17,000
Net cash generated from investing activities		**19,253**	2,603
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of capital for cash, net of related expenses		**—**	242,598
Amounts advanced from immediate holding company		**1,092,689**	1,526,100
Repayments of amount due to immediate holding company	32(b)	**(728,000)**	(892,000)
Repayments of loan from ultimate holding company		**—**	(10,477)
Repayments of amount due to ultimate holding company	32(b)	**—**	(842,000)
Repayments of bank loans		**(18,000)**	(18,000)
Repayments of amounts due to minority shareholders		**(9,735)**	(59,638)
Dividend paid to equity holders of the Company		**(84,340)**	(48,220)
Dividend paid to minority shareholders		**(8,400)**	—
Net cash generated from/(used in) financing activities		**244,214**	(101,637)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**84,189**	96,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**310,248**	213,955
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**394,437**	310,248
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
Cash and bank balances		**394,437**	310,248

The notes on pages 31 to 78 form part of these financial statements.

Notes to Financial Statements

31 December 2008

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the balance sheet date, the parent of the Company (the "Immediate Holding Company") is Marble King International Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company (the "Ultimate Holding Company") is Polytec Holdings International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in page 2 of the annual report.

During the year, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are investment holding, properties investment, development and trading, securities investment and trading and manufacturing of ice and provision of cold storage service. There were no significant changes in the nature of the Group's principal activities during the year.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out in note 3.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 36.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs has not resulted in any significant impact on the Group's operations results and financial position for the current or prior year.

Notes to Financial Statements

31 December 2008

2. BASIS OF PREPARATION *(continued)*

The Group has not early adopted the following new or revised HKFRSs, which are not yet effective, in the financial statements for the year ended 31 December 2008. The Group anticipates that the application of these HKFRSs will have no material impact on the Group's financial statements, excepted that HKAS 1 (Revised), Presentation of Financial Statements, and HKFRS 8, Operating Segments, may result in new or amended presentations and disclosures in the financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Eligible Hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 9 & HKAS 39 (Amendment)	Embedded Derivatives[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[3]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods ending on or after 30 June 2009.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December, together with the Group's share of the results for the year and net assets of its jointly controlled entity. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All intercompany transactions and balances within the Group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

A separate set of financial statements at the Company's level for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs, are available in due course at the Company's principal place of business as disclosed in page 2 of the annual report.

Notes to Financial Statements

31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill is stated at cost less accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. Such goodwill was capitalised and amortised on a straight-line basis over its useful economic life at a rate of 5% per annum up to 31 December 2004. The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Notes to Financial Statements

31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life as follows:

Buildings situated on leasehold land	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/completion
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	2 to 5 years
Motor vehicles	4 to 5 years

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of a property, plant and equipment included in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leasing

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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

Investment properties

Interests in land and buildings held for rental purposes are recorded as investment properties. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to Financial Statements

31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

A joint venture is a contractual arrangement, whereby the Group and other parties undertake an economic activity in which the Group and the other parties control, directly or indirectly, the financial and operating policies of such economic activity so as to obtain benefits from its activities.

Jointly controlled assets

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting unless a jointly controlled entity is classified as held for sale. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity. When the Group transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in property development

Interests in property development are stated at fair value. Changes in fair value are recognised in the fair value reserve, unless there is objective evidence that the interests in property development have been impaired, any amount held in fair value reserve in respect of the interests in property development are transferred to profit or loss for the period in which the impairment is identified. Any reversal of impairment losses are recognised in profit or loss. The fair value of interests in property development is determined based on the estimated entitlement on the interests in property development. When the interests in property development are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Financial instruments

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Notes to Financial Statements

31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances, margin deposits and amount due from jointly controlled entity) are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors and significant changes in technological, market, economic or legal environment that have an adverse effect on the debtors. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments *(continued)*

Available-for-sale financial assets
Non-derivative financial assets which do not fall into any of the above categories are classified as available-for-sale financial assets and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

For available-for-sale equity financial assets, an impairment loss is not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

For available-for-sale debt financial assets, reversal of an impairment loss is recognised in profit or loss.

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

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities
Financial liabilities other than financial liabilities at fair value through profit or loss including bank loans, amount due to minority shareholder, trade and other payables and balances with group companies and are subsequently measured at amortised cost, using the effective interest rate method.

Derivatives
Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Properties held for sale and under development for sale are stated at the lower of cost and net realisable value. Net realisable value of properties held for sale represents the estimated selling price less costs to be incurred in selling the properties. Net realisable value of properties held under development for sale represents the estimated selling price less costs to be incurred in development and selling of the properties.

Cash and cash equivalents

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Impairment of assets other than goodwill and financial instruments

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised for an asset in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to profit or loss in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates of the recoverable amount of an asset, however 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 periods. A reversal of an impairment loss is credited to profit or loss in the period in which it arises.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liabilities is settled or the asset is realised based on tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in profit or loss except when it relates to items recognised directly in equity, in which case the deferred tax is also recognised in equity.

Other provisions and contingent liabilities

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions or has joint control over the Group; the Group and the party are subject to common control; the party is an associated company of the Group or a joint venture in which the Group is a venturer. Related parties may be individuals or other entities.

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all 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 profit or loss as they become payable in accordance with the rules of the MPF Scheme. Payments to MPF Scheme are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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:

— 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 continuous managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

— from the sale of completed properties, upon the execution of a binding sale agreement;

— from the sale of development properties sold in advance of completion, upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities;

— income from interests in property development, when the distribution in respect of the investment is entitled;

— interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

— consultancy service fee income, when the services are rendered and are billable;

— from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;

— service income, when service is rendered to the customers;

— dividends, when the shareholders' right to receive payment has been established; and

— rental income, on straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segment reporting

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Unallocated items mainly comprise financial and corporate assets, loans, borrowings, corporate and financing expenses.

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 had three business segments for the year which included properties investment, trading and development related activities ("Properties"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and financial investment and other miscellaneous activities ("Investments and others"). As over 90% of the Group's revenue, results, assets and liabilities were derived from operations in the People's Republic of China, including Hong Kong and Macau, further segment information has not been disclosed in respect of the Group's geographical segments.

Notes to Financial Statements

31 December 2008

4. SEGMENT INFORMATION *(continued)*

Business segments — 2008

	Properties HK$'000	Ice and Cold Storage HK$'000	Investments and Others HK$'000	Consolidated HK$'000
Turnover	533,678	51,133	2,007,727	2,592,538
Segment result	523,126	14,786	(139,443)	398,469
Unallocated group expenses				(8,011)
Profit from operations				390,458
Loss arising from a change in fair value of investment properties	(50,000)	—	—	(50,000)
Unwinding cost for contingent forward transactions	—	—	(485,068)	(485,068)
Loss on disposal of available-for-sale financial investments	—	—	(506,655)	(506,655)
Share of results of jointly controlled entity	(48,186)	—	—	(48,186)
Finance costs				(34,077)
Loss before tax				(733,528)
Income tax expenses				3,232
Loss for the year				(730,296)
Segment assets	12,439,467	165,686	46,886	12,652,039
Interest in and amount due from jointly controlled entity	561,529	—	—	561,529
Unallocated group assets				395,336
				13,608,904
Segment liabilities	2,141,663	2,820	23,451	2,167,934
Unallocated group liabilities				1,125,397
				3,293,331
Capital expenditure incurred	—	1,032	—	1,174
Gain arising from a change in fair value of derivative financial instruments, net	—	—	44,502	44,502
Depreciation and amortisation	7	5,563	—	5,610
Loss arising from a change in fair value of held for trading investments	—	—	17,739	17,739
Impairment loss on inventories	3,657	—	—	3,657

Notes to Financial Statements

31 December 2008

4. SEGMENT INFORMATION *(continued)*

Business segments — 2007

	Properties *HK$'000*	Ice and Cold Storage *HK$'000*	Investments and Others *HK$'000*	Consolidated *HK$'000*
Turnover	134,069	48,319	2,868,380	3,050,768
Segment result	92,185	13,495	330,189	435,869
Unallocated group expenses				(8,812)
Profit from operations				427,057
Share of results of jointly controlled entities	14,772	—	—	14,772
Finance costs				(104,073)
Profit before tax				337,756
Income tax expenses				(65,058)
Profit for the year				272,698
Segment assets	12,500,257	170,184	824,106	13,494,547
Interest in and amount due from jointly controlled entity	630,142	—	—	630,142
Unallocated group assets				311,186
				14,435,875
Segment liabilities	1,954,718	2,956	145,612	2,103,286
Unallocated group liabilities				1,614,375
				3,717,661
Capital expenditure incurred	23	143	—	190
Gain arising from a change in fair value of held for trading investments	—	—	42,730	42,730
Depreciation and amortisation	3	5,267	—	5,293
Loss arising from a change in fair value of derivative financial instruments, net	—	—	68,204	68,204

Notes to Financial Statements

31 December 2008

5. TURNOVER AND OTHER OPERATING INCOME

An analysis of the Group's turnover and other operating income is as follows:

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**29,162**	29,240
Sale of properties	**26,918**	134,069
Service income	**21,971**	19,079
Income from interests in property development	**506,760**	—
Proceeds from sale of trading securities	**2,007,727**	2,868,380
	2,592,538	3,050,768
Other operating income		
Rental income from properties held for sale	**6,277**	6,556
Dividend income from listed securities	**19,803**	4,224
Consultancy service fee income	**—**	100
Bank and other interest income	**5,624**	21,471
Gain arising from a change in fair value of held for trading investments	**—**	42,730
Gain arising from a change in fair value of derivative financial instruments, net	**44,502**	—
Others	**941**	1,349
	77,147	76,430

Notes to Financial Statements

31 December 2008

6. LOSS/PROFIT BEFORE TAX

(a) Loss/profit before tax is arrived at after charging/(crediting):

	2008 HK$'000	2007 HK$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	**11,713**	12,919
Contributions to retirement benefit scheme	**514**	526
	12,227	13,445
Depreciation of property, plant and equipment	**2,790**	2,473
Amortisation of prepaid lease payments	**2,820**	2,820
Minimum lease payments under operating leases in respect of land and buildings	**1,308**	1,337
Auditors' remuneration	**1,020**	866
Cost of inventories recognised as expenses	**17,010**	37,985
Exchange loss	**177**	25
Direct operating expenses arising from investment properties that did not generate rental income	**387**	425
Impairment loss on inventories	**3,657**	—
Realised loss/(gain) on held for trading investments	**188,949**	(333,928)
Loss arising from a change in fair value of derivative financial instruments, net	**—**	68,204
Loss arising from a change in fair value of held for trading investments	**17,739**	—
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entity)	**(6,399)**	3,737

6. **LOSS/PROFIT BEFORE TAX** *(continued)*

(b) Unwinding cost for contingent forward transactions

During the year, the Group had outstanding forward agreements to purchase or sell certain listed equity securities at fixed prices over 52-week periods from the dates of the agreements. Because of the global financial turmoil triggered by the sub-prime crisis, investment sentiment and the performance of the world financial and stock markets deteriorated drastically. In order to minimise losses and to reduce risk exposures associated with the outstanding forward agreements, a substantial portion of these agreements were unwound in October 2008. The aggregate costs in respect of the unwinding were HK$485,068,000 (2007: Nil) and were recognised in the income statement for the year.

(c) Loss on disposal of available-for-sale financial investments

Listed equity securities had been acquired during the year for long-term holding purpose and were classified as available-for-sale financial investments in the financial statements. However, due to the unpredictable global financial conditions in the second half of 2008, the Group liquidated all its listed available-for-sale financial investments in order to contain its losses and minimise its risk exposure associated with its investment portfolio. The loss on disposal of available-for-sale financial investments was HK$506,655,000 (2007: Nil) and was recognised in the income statement for the year.

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7. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

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

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance bonuses *HK$'000*	Provident fund contributions *HK$'000*	2008 Total *HK$'000*
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,731	—	173	1,904
Ms. Wong Yuk Ching	—	1,016	—	101	1,117
Mr. Lam Chi Chung, Tommy	—	1,507	—	12	1,519
Ms. Chio Koc Ieng	—	1,016	—	—	1,016
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	480	5,270	—	286	6,036

7. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS *(continued)*

	Fees	Salaries and other benefits	Performance bonuses	Provident fund contributions	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,672	680	163	2,515
Ms. Wong Yuk Ching	—	742	200	67	1,009
Mr. Lam Chi Chung, Tommy	—	1,428	480	12	1,920
Ms. Chio Koc Ieng	—	952	460	—	1,412
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	480	4,794	1,820	242	7,336

The five highest paid individuals during the year ended 31 December 2008 included four (2007: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2007: one) non-director highest paid individual are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**866**	773
Performance bonuses	**—**	280
Provident fund contributions	**12**	12
	878	1,065

Notes to Financial Statements

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8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expense on		
— Bank and other borrowings wholly repayable within five years	**1,360**	3,008
— Amount due to a minority shareholder with no fixed repayment terms	**72**	715
— Amount due to immediate holding company with no fixed repayment terms	**9,628**	38,768
— Loan from ultimate holding company with no fixed repayment terms	**—**	343
— Amount due to ultimate holding company with no fixed repayment terms	**23,017**	61,239
	34,077	104,073

9. INCOME TAX EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**1,771**	54,360
— Overseas income tax	**3,403**	11,439
— Under provision in respect of prior years	**1,011**	—
	6,185	65,799
Deferred tax	**(9,417)**	(741)
	(3,232)	65,058

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

9. INCOME TAX EXPENSES *(continued)*

The tax charge for the year can be reconciled to the (loss)/profit before tax per the income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(733,528)**	337,756
Tax charges at the average income tax rate	**(200,578)**	65,847
Tax effect of share of results of jointly controlled entity	**6,399**	(3,737)
Tax effect of expenses not deductible in determining taxable profit	**3,194**	6,961
Tax effect of income not taxable in determining taxable profit	**(4,173)**	(4,121)
Utilisation of tax losses previously not recognised	**—**	(134)
Tax effect of tax losses not recognised	**190,910**	—
Under provision in respect of prior years	**1,011**	—
Change in tax rate	**(182)**	—
Others	**187**	242
Income tax expense for the year	**(3,232)**	65,058

The average income tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of loss/profit before tax and the relevant statutory rates.

10. LOSS/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 December 2008 dealt with in the financial statements of the Company was loss of HK$13,377,000 (2007: profit of HK$131,797,000).

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11. LOSS/EARNINGS PER SHARE

The calculation of the basic and diluted loss/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted loss/earnings per share	**(527,549)**	222,190
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**4,438,967,838**	4,390,342,304
Effect of dilutive potential ordinary shares		
— Warrants	**—**	10,827,678
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	**4,438,967,838**	4,401,169,982

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12. DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the year:

	2008 **HK$'000**	2007 HK$'000
Interim dividend declared and paid of HK$0.007 per ordinary share (2007: HK$0.006)	**31,073**	26,634
Final dividend proposed after the balance sheet date of HK$0.012 per ordinary share (2007: HK$0.012)	**53,268**	53,268
	84,341	79,902

The final dividend declared after the year end has not been recognised as a liability at 31 December.

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2008 **HK$'000**	2007 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.012 per ordinary share (2007: HK$0.005)	**53,268**	21,586

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor Vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 January 2007	32,790	8,019	1,603	579	42,991
Additions	—	—	63	127	190
At 31 December 2007	32,790	8,019	1,666	706	43,181
At 1 January 2008	**32,790**	**8,019**	**1,666**	**706**	**43,181**
Additions	**—**	**—**	**1,174**	**—**	**1,174**
Disposals	**—**	**—**	**(92)**	**—**	**(92)**
At 31 December 2008	**32,790**	**8,019**	**2,748**	**706**	**44,263**
Accumulated depreciation:					
At 1 January 2007	1,634	1,542	658	196	4,030
Charge for the year	770	1,279	287	137	2,473
At 31 December 2007	2,404	2,821	945	333	6,503
At 1 January 2008	**2,404**	**2,821**	**945**	**333**	**6,503**
Charge for the year	**769**	**1,279**	**601**	**141**	**2,790**
Disposals	**—**	**—**	**(85)**	**—**	**(85)**
At 31 December 2008	**3,173**	**4,100**	**1,461**	**474**	**9,208**
Carrying values:					
At 31 December 2008	**29,617**	**3,919**	**1,287**	**232**	**35,055**
At 31 December 2007	30,386	5,198	721	373	36,678

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14. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Prepaid lease payments in medium-term leasehold land in Hong Kong		
— Included in current asset	**2,820**	2,820
— Included in non-current asset	**105,757**	108,577
	108,577	111,397

15. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
Fair value:		
At 1 January	**150,000**	150,000
Change in fair value	**(50,000)**	—
At 31 December	**100,000**	150,000

All investment properties of the Group are property interests including leasehold interest in land, held under medium-term operating leases outside Hong Kong for the purposes of earning rentals or capital appreciation and are measured using the fair value model.

All properties held under operating lease that would otherwise meet the definition of investment property are classified as investment property.

The fair value of the Group's investment properties at 31 December 2008 have been arrived at on a market value basis calculated by reference to net rental income allowing for reversionary income potential carried out on that date by DTZ Debenham Tie Leung Limited. DTZ Debenham Tie Leung Limited is an independent qualified professional valuers not connected with the Group and has among its staff members of the Hong Kong Institute of Surveyors and has appropriate qualifications and experiences in the valuation of similar properties in the relevant locations.

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16. INTEREST IN JOINTLY CONTROLLED ENTITY

	2008 **HK$'000**	2007 HK$'000
Investment cost	**12**	12
Share of post acquisition profit	**365,513**	413,699
Share of net assets	**365,525**	413,711

Particulars of the jointly controlled entity at 31 December 2008 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activities
South Bay Centre Company Limited	Corporate	Macau	50%	Property investment and trading

The above investment in jointly controlled entity is indirectly held by the Company.

The followings are the financial information for the Group's jointly controlled entity:

	2008 **HK$'000**	2007 HK$'000
Income	**75,617**	66,516
Expenses	**(171,989)**	(36,972)
(Loss)/profit for the year	**(96,372)**	29,544
Non-current assets	**1,272,502**	1,433,304
Current assets	**23,621**	11,444
Current liabilities	**(432,823)**	(460,072)
Non-current liabilities	**(132,250)**	(157,254)
Net assets	**731,050**	827,422

17. INTERESTS IN PROPERTY DEVELOPMENT

Interests in property development represent the Group's interests in the development of various properties in Macau under two co-investment agreements with two wholly owned subsidiaries of the Ultimate Holding Company respectively. The basis and estimations for arriving at the fair value of the interests in property development is further described in note 36.

During the year, pursuant to one of the co-investment agreements, distributions of HK$930,000,000 (2007: Nil) were made by a wholly owned subsidiary of the Ultimate Holding Company in relation to the property project at Lote V, The Orient Pearl District, Novos Aterros da Areia Preta, Macau. Subsequent to the balance sheet date, further distribution of HK$1,601,329,000 has been made in relation to such property project, which has been applied against the amount received from interests in property development of HK$1,613,516,000 as current liability at the balance sheet date.

Out of the interests in property development, an amount of HK$1,601,329,000 was expected to be recoverable within one year as at 31 December 2008 and has been classified as current asset.

18. GOODWILL

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. During the year ended 31 December 2008, management of the Group determines that there are no impairments of the CGU containing goodwill.

The recoverable amount of the CGU have been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable within one year. The carrying amount approximates its fair value at 31 December 2008.

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20. HELD FOR TRADING INVESTMENTS

	2008 **HK$'000**	2007 *HK$'000*
Equity securities held for trading listed in Hong Kong	**28,688**	518,847

The fair values of the above equity securities held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

The Group also acquired certain available-for-sale listed equity investments during the year, which were subsequently disposed of. Details are set out in note 6(c).

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets **HK$'000**	**Liabilities** **HK$'000**	Assets *HK$'000*	Liabilities *HK$'000*
Over-the-counter contingent forward transactions	**—**	**19,903**	13,813	78,218

The Group has entered into forward agreements to purchase or sell certain listed equity securities at a fixed price over a 52-week period from the date of the agreements. The listed equity securities are shares listed in Hong Kong. According to the agreements, the purchase or sale commitments of the Group will be terminated when the market price of the equity securities rises or falls to a pre-determined price level. During the year, as a result of the drastic changes in the financial market conditions, the Group has unwound a number of the forward agreements. Details are set out in note 6(b). At 31 December 2008, the Group has one (2007: thirty-one) forward agreement to purchase certain listed equity securities remaining outstanding which will be expired in September 2009 and the aggregated maximum purchase commitments of the Group under the agreement were HK$105,836,000 (2007: HK$3,615,054,000).

22. INVENTORIES

	2008 **HK$'000**	2007 *HK$'000*
Properties held for sale	**37,016**	44,980
Properties under development for sale *(Note)*	**424,136**	266,647
	461,152	311,627

Note: The Group has entered into a joint venture agreement in the form of a jointly controlled asset to construct certain low-rise houses in Hong Kong. At 31 December 2008, the aggregate amount of assets recognised in the financial statements in relation to interests in jointly controlled assets is HK$17,763,000 (2007: HK$16,216,000).

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23. TRADE AND OTHER RECEIVABLES

	2008 **HK$'000**	2007 HK$'000
Ageing analysis of trade receivables:		
Within 30 days	**2,174**	2,369
31 days to 60 days past due	**820**	1,312
61 days to 90 days past due	**505**	207
Over 90 days past due	**426**	184
Amounts past due	**1,751**	1,703
Trade receivables	**3,925**	4,072
Other receivables	**28,309**	26,657
	32,234	30,729

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

Trade and other receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and other receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no 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 fully recoverable.

The fair value of the Group's trade and other receivables at 31 December 2008 was approximate to the corresponding carrying amount.

24. CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents approximates their fair value at the balance sheet date.

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25. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Ageing analysis of trade payables:		
Within 30 days	**12,249**	6,504
31 days to 60 days	**1,527**	709
61 days to 90 days	**1,940**	926
Over 90 days	**9,420**	658
Trade payables	**25,136**	8,797
Deposits received from sale of properties	**486,695**	419,634
Other payables	**29,138**	91,858
	540,969	520,289

Included in the Group's trade and other payables, an amount of HK$7,958,000 (2007: Nil) is expected to be settled after more than one year. The fair value of the Group's trade and other payables at 31 December 2008 was approximate to the corresponding carrying amount.

26. BANK LOANS

The secured bank loans were repayable within 5 years from the date of the inception of the loans by monthly instalments and bearing interest as determined by a premium over the Hong Kong Interbank Offering Rates (the "HIBOR"), which is equal to the effective interest rate, as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**36,700**	18,000
In the second year	**—**	36,700
	36,700	54,700
Less: Amounts repayable within one year shown under current liabilities	**(36,700)**	(18,000)
Amount due after one year	**—**	36,700

The fair value of the Group's bank loans as at 31 December 2008 was approximate to the corresponding carrying amount.

27. DEFERRED TAXATION

The following are the components of deferred tax liabilities recognised and movements thereon during the current year and the prior year:

	Accelerated depreciation allowances HK$'000	Revaluation of assets HK$'000	Total HK$'000
At 1 January 2007	3,622	43,870	47,492
Acquisition of a subsidiary	—	861	861
Credit to income statement	(441)	(300)	(741)
At 31 December 2007	3,181	44,431	47,612
At 1 January 2008	**3,181**	**44,431**	**47,612**
Change in tax rate	**(182)**	**—**	**(182)**
Credit to income statement	**(411)**	**(8,824)**	**(9,235)**
At 31 December 2008	**2,588**	**35,607**	**38,195**

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK$1,166,909,000 (2007: HK$9,895,000) available for offset against future profits which may be carried forward indefinitely.

28. SHARE CAPITAL

	2008 HK$'000	2007 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
5,000,000,000 convertible preference shares of HK$0.01 each	**50,000**	50,000
	1,050,000	1,050,000
Issued:		
4,438,967,838 fully paid ordinary shares of HK$0.1 each	**443,897**	443,897

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28. SHARE CAPITAL *(continued)*

A summary of the movements in issued ordinary shares for the year ended 31 December 2007 is as follows:

	Number of Shares	Amount *HK$'000*
At 1 January 2007	4,316,425,295	431,643
Exercise of subscription rights attached to warrants	122,542,543	12,254
At 31 December 2007	4,438,967,838	443,897

(a) Issue of capital

During the period from 1 January 2007 to 18 June 2007, the Company has issued 122,542,543 ordinary shares ("Share(s)") of HK$0.1 each of the Company at a subscription price of HK$1.98 per Share pursuant to the exercise of subscription rights attached to the warrants issued by the Company as mentioned in note 29.

(b) Share premium

The application of the share premium account is governed by Section 34 of the Cayman Islands Companies Law.

(c) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optismisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, borrowings from holding companies, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's borrowings (bank borrowings plus amounts due to immediate holding company and ultimate holding company) over equity attributable to equity holders of the Company. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2008 is 9.6% (2007: 13.8%).

29. WARRANTS

In 2006, the Company had a bonus issue of 122,981,448 units of warrants in the Company to the holders of Shares of the Company whose names appeared on the register of members of the Company on 12 June 2006 on the basis of one unit of warrants for every ten Shares then held by such shareholders. Each unit of warrants entitled the holders thereof to subscribe in cash for one new Share at HK$1.98 per Share. The warrants were exercisable at any time between 19 June 2006 and 18 June 2007, both days inclusive.

A summary of the movements in warrants issued by the Company for the year ended 31 December 2007 is as follows:

	Number of warrants
At 1 January 2007	122,974,508
Exercised during the year	(122,542,543)
Expired upon the end of the subscription period	(431,965)
At 31 December 2007	—

30. SHARE OPTIONS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Pursuant to the share option scheme adopted by the Company on 9 January 2004, eligible participants include any employees (including full-time and part-time employee), directors (including executive, non-executive and independent non-executive director), suppliers of goods and services, customers, business partners or business associates of the Group, consultant or adviser providing consultancy or advisory services in relation to the businesses, trading agents or holders of any securities issued by any member of the Group or any entity in which the Group holds an equity interest. The share option scheme became effective on 9 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the share option scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

30. SHARE OPTIONS *(continued)*

Under the share option scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the share option scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the share option scheme.

The exercise price of the share options granted under the share option scheme is determinable by the directors, but may not be less than the highest of (i) closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There was no share option granted under the share option scheme during the current and prior years or remain outstanding as at 31 December 2008.

31. NOTE TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Loans from minority shareholders of a subsidiary are classified as equity being the capital contribution on such subsidiary by those minority shareholders.

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32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	2008 HK$'000	2007 HK$'000
Net assets acquired:		
Inventories	—	37,258
Trade and other receivables	—	1,222
Cash and cash equivalents	—	11
Trade and other payables	—	(127)
Deferred taxation	—	(861)
Amount due to the Group	—	(33,514)
	—	3,989
Satisfied by:		
Cash and cash equivalents	—	3,989

The subsidiary acquired during the year ended 31 December 2007 did not have any significant turnover and profit for the year ended 31 December 2007. If the acquisition had occurred on 1 January 2007, the subsidiary's turnover and profit contributed to the Group would not be significantly different to that reported above.

(b) Major Non-cash Transactions

During the year, amounts received from interests in property development of totalling HK$699,216,000 (2007: HK$1,508,000,000) were obtained by offsetting the amount due to ultimate holding company of HK$75,216,000 (2007: HK$1,348,000,000) and amount due to immediate holding company of HK$624,000,000 (2007: HK$160,000,000). A further settlement of HK$165,090,000 (2007: Nil) for the amount due to ultimate holding company was made by applying the loans from minority shareholders directly.

During the year, non-refundable distributions from interests in property development of totalling HK$930,000,000 (2007: Nil) were obtained by offsetting the amount received from interests in property development and accordingly, income from interests in property development of HK$506,760,000 (2007: Nil) was transferred from the fair value reserve to the income statement during the year.

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33. OPERATING LEASE ARRANGEMENTS

As Lessee

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years.

As at 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**799**	122
In the second to fifth years inclusive	**333**	—
	1,132	122

As Lessor

The Group leases certain of its inventories and investment properties under operating lease arrangements with lease terms for less than six years. As at 31 December 2008, total future minimum lease receivables under non-cancellable operating leases are as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**6,087**	2,348
In the second to fifth years inclusive	**10,519**	28
Over five years	**1,788**	—
	18,394	2,376

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34. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2007 and 2008, the Group had the following transactions with related parties:

(a) During the year ended 31 December 2006, the Group entered into a sale and purchase agreement (the "Agreement") with the Ultimate Holding Company for the acquisition of the entire interests in New Bedford Properties Limited in turn to acquire 80% interest in three property projects located at Lotes P, V, T and T1, The Orient Pearl District, Novos Aterros da Areia Preta, Macau for the consideration of HK$8,448,000,000. Pursuant to the Agreement, a deposit of HK$200 million was paid by the Group upon the signing of the Agreement and the Group may, at the Group's discretion, settle the outstanding balance (i) at completion of the Agreement (the "Completion") or (ii) within one year from the Completion. The Group has the right to extend the time for the settlement of the outstanding balance to within three years from the Completion. In case where the Company is unable to raise sufficient funds to finance the acquisition within three years from the Completion, the Group has the right to further extend the settlement of the outstanding balance for an unlimited period until such time the liquidity position of the Company permits the settlement. The Completion took place on 15 June 2006. The amount due to ultimate holding company was unsecured and bearing interest at a premium over the HIBOR. During the year, interest of HK$23,017,000 (2007: HK$61,239,000) was payable to the Ultimate Holding Company. Outstanding balance due to the Ultimate Holding Company for the acquisition together with accrued interest was HK$686,497,000 as at 31 December 2008 (2007: HK$902,020,000) and the management has indicated that the Group will exercise its right to further extend the settlement of this outstanding balance.

(b) Amount received from interests in property development, which is unsecured, interest free and with no fixed repayment terms, represents the advances received from a subsidiary of the Ultimate Holding Company in respect of the Group's interests in the property development in Macau as mentioned in note 17.

(c) As at 31 December 2008, the amount due to minority shareholder of a subsidiary was unsecured and with no fixed repayment terms and bearing interest at a premium over the HIBOR. During the year, interest of HK$72,000 (2007: HK$715,000) was payable to such minority shareholder.

(d) During the year, the Group paid rental expenses and building management fees amounting to HK$910,442 (2007: HK$899,000) in aggregate to an intermediate holding company of the Company for the leasing of an administrative office in Hong Kong.

(e) During the year, management fees totalling HK$4,500,000 (2007: Nil) were payable to an intermediate holding company of the Company for the administrative expenses shared by the Group.

(f) The amount due to immediate holding company was unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. During the year, interest of HK$9,628,000 (2007: HK$38,768,000) was payable to the Immediate Holding Company.

34. RELATED PARTY TRANSACTIONS *(continued)*

(g) During the year ended 31 December 2007, the Group received consultancy service fee income of HK$100,000 from a jointly controlled entity. The consultancy service fee income was charged on a monthly basis of HK$20,000 as agreed by both parties.

(h) As at 31 December 2007, a director of the Company granted a guarantee to a bank to secure the liabilities of the Group to the extent of HK$42,718,000.

(i) During the year ended 31 December 2007, interest of HK$343,000 was paid to the Ultimate Holding Company for the loans advanced from the Ultimate Holding Company.

35. PLEDGE OF ASSETS

As at 31 December 2008, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

(a) legal charge over all of the Group's medium term leasehold land with an aggregate net book value of HK$108,577,000 (2007: HK$111,397,000);

(b) legal charge over all of the Group's buildings with an aggregate net book value of HK$29,617,000 (2007: HK$30,386,000);

(c) floating charge over all short term investments of the Group of HK$28,688,000 (2007: HK$518,847,000);

(d) floating charge over certain receivables of the Group of HK$4,496,000 (2007: HK$4,642,000);

(e) floating charge over all of the Group's margin deposits of HK$17,847,000 (2007: HK$291,446,000); and

(f) floating charge over certain cash and cash equivalents of the Group of HK$799,000 (2007: HK$251,767,000).

As at 31 December 2007, all interest in derivative financial instruments of the Group of HK$13,813,000 were also pledged under a floating charge to secure credit facilities granted to the Group.

36. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation and amortisation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful life of 2 to 10 years, and after taking into account of their estimated residual value, using the straight-line method, commencing from the date the plant and equipment is placed into intended use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the management's estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

Estimation of fair value of investment properties

Investment properties are stated at market value at the balance sheet date, which is assessed annually by independent qualified valuers, after taking into consideration the net income for reversionary potential. The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

Estimation of provision for properties under development for sale and held for sale

Management determines the net realisable value of properties under development for sale and held for sale by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of net realisable value of properties under development for sale and held for sales requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, rate of new property sales, marketing costs and the expected costs to completion of properties and legal and regulatory framework and general market conditions.

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36. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated 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. Details of the recoverable amount calculation are disclosed in note 18.

Interests in property development

Interests in property development are stated at their fair value at the balance sheet date. In determining the fair value of interests in property development, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate in order to calculate the present value. Cash flow projections for the interests in property development are based on the past performance, current market conditions and management's expectations for the market development and terms provided under the co-investment agreements.

Estimation of fair value of over-the-counter contingent forward transactions

Over-the-counter contingent forward transactions are classified as derivative financial instruments and are stated at fair value at the balance sheet date. The fair value of outstanding over-the-counter contingent forward transactions is calculated based on the price quotations obtained from financial institutions.

The assumptions adopted in fair value of over-the-counter contingent forward transactions are based on the pricing model using the market closing prices of the underlying stocks and/or index, the volatilities, correlations and interest rates at the balance sheet date.

37. FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate, credit, liquidity and price risks arisen in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by financial policies and practices undertaken by the Group.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and borrowings from holding companies. All the borrowings are on a floating rate basis. The risk is mainly concentrated on the fluctuation in Hong Kong dollar interest rates arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate risk is managed by the Group's senior management with defined policies through regular review to determine the strategy as of funding in floating/fixed rate mix appropriate to its current business profile, and to engage in relevant hedging arrangements in appropriate time.

If interest rates had been increased/decreased by 100 basis points, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would decrease/increase by HK$9,803,000 (2007: HK$14,600,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rate is used when reporting interest rate risk. The analysis is performed on the same basis for 2007.

Credit risk

The Group's maximum exposure to credit risk in the event of the counter-parties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's credit risk is significantly reduced.

Cash at bank, deposits placed with financial institutions, and investments and transactions involving derivative financial instruments are with counterparties with sound credit ratings to minimise credit exposure.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter-parties and customers.

37. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

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

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Undated**	**Total**	**Balance sheet carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008					
Trade and other payables	**46,316**	**7,958**	**—**	**54,274**	**54,274**
Derivative financial instruments	**19,903**	**—**	**—**	**19,903**	**19,903**
Bank loans	**36,700**	**—**	**—**	**36,700**	**36,700**
Amount due to minority shareholder	**1,622**	**—**	**—**	**1,622**	**1,622**
Amount due to immediate holding company	**—**	**—**	**263,185**	**263,185**	**263,185**
Amount due to ultimate holding company	**—**	**—**	**686,497**	**686,497**	**686,497**
Amount received from interests in property development	**—**	**—**	**1,613,516**	**1,613,516**	**1,613,516**
	104,541	**7,958**	**2,563,198**	**2,675,697**	**2,675,697**
At 31 December 2007					
Trade and other payables	100,655	—	—	100,655	100,655
Derivative financial instruments	78,218	—	—	78,218	78,218
Bank loans	18,000	37,721	—	55,721	54,700
Amount due to minority shareholder	4,913	—	—	4,913	4,913
Amount due to immediate holding company	—	—	512,868	512,868	512,868
Amount due to ultimate holding company	—	—	902,020	902,020	902,020
Amount received from interests in property development	—	—	1,508,000	1,508,000	1,508,000
	201,786	37,721	2,922,888	3,162,395	3,161,374

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37. FINANCIAL RISK MANAGEMENT *(continued)*

Equity price risk

The Group is exposed to equity security price risk through its held-for-trading investments and derivative financial instruments. Appropriate measures are implemented under risk management policies on a timely and effective manner. These measures covered macroeconomic analysis, securities analysis, trade execution control and portfolio evaluation. The Group controls this exposure by maintaining a diversified investment portfolio of securities with high market liquidity and different risk profiles.

At 31 December 2008, it is estimated that an increase/decrease of 5% in market value of the Group's held-for-trading investments, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would increase/decrease by HK$1,434,000 (2007: HK$19,883,000).

At 31 December 2008, it is estimated that an increase/decrease of 5% in market value of the underlying securities of the derivative financial instruments, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would increase/decrease by HK$4,582,000 (2007: increase by HK$11,937,000/decrease by HK$72,126,000) respectively.

The sensitivity analysis above has been determined assuming that the changes in the equity price had occurred at the balance sheet date and had been applied to the exposure to equity security price risk in existence at that date. It is also assumed that the fair values of the Group's held-for-trading investments and derivative financial instruments would change in accordance with the historical correlation with the relevant equity price and that all other variable remain constant. The analysis is performed on the same basis for 2007.

Other price risk

The Group is also exposed to property price risk through its interests in property development classified as non-current assets. The Group assesses their fair value at least bi-annually through reviewing the prevailing market conditions and monitoring the progress of the property development. At 31 December 2008, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, the Group's fair value reserve would increase/decrease by HK$736,140,000/HK$736,144,000 (2007: HK$906,866,000/HK$906,861,000). The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the balance sheet date and had been applied to the exposure to property price risk in existence at that date. The analysis is performed on the same basis for 2007.

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38. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2008 are as follow:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
City Power Services Limited	British Virgin Islands	US$1	100%	Inactive
Newcott Limited	British Virgin Islands	US$10,000	100%	Investment holding
Noble Prime International Limited	British Virgin Islands	US$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US$1	100%	Investment holding
Indirectly held:				
Acestart Investments Limited	British Virgin Islands/Macau	US$1	70.5%	Property trading and investment
Century Leader Profits Limited	British Virgin Islands	US$100	91%	Property trading and investment
Eastford Development Limited	Hong Kong	HK$100	100%	Property development and investment
Genius Star Investments Limited	British Virgin Islands/Macau	US$1	100%	Financial investment

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38. PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Glentech International Company Limited	Hong Kong	HK$2	100%	Property investment and development and provision of consultancy services
Hin Rich International Limited	British Virgin Islands/Macau	US$1	58%	Financial investment
Imperial Profit Investment Limited	British Virgin Islands	US$1	100%	Inactive
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development
Marvel Talent Corporation	British Virgin Islands	US$200	70.5%	Inactive
Mission Geronimo Enterprises Limited	British Virgin Islands	US$1	58%	Provision of consultancy services
New Bedford Properties Limited	British Virgin Islands	US$1	100%	Investment holding
New Cosmos Holdings Limited	British Virgin Islands	US$100	58%	Investment holding
Newest Luck Enterprises Limited	British Virgin Islands	US$1	58%	Provision of consultancy services
Noble Gainer Limited	Hong Kong	HK$2	100%	Inactive

38. PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Power Giant Limited	British Virgin Islands/Macau	US$1	100%	Property trading and investment
Profit Sphere International Limited	British Virgin Islands	US$1	100%	Investment holding
Richstone International Limited	Hong Kong	HK$1	100%	Property development and investment
Sheen Concord Enterprises Limited	Hong Kong	HK$2	100%	Property investment and development
Success Ever Limited	British Virgin Islands	US$1	100%	Investment holding
Sunpark International Limited	British Virgin Islands/Macau	US$10	58%	General trading
The Hong Kong Ice & Cold Storage Company Limited	Hong Kong	HK$500,000	100%	Ice manufacturing and provision of cold storage
Think Bright Limited	British Virgin Islands/Macau	US$200	70.5%	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Wide Universe International Limited	British Virgin Islands	US$1	100%	Inactive

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Particular of Properties

31 December 2008

Property	Purpose	Gross floor area/ site area	Group interest (%)	Stage of completion	Expected completion date
Properties held for development for sale of the Group:					
Pacifica Garden, Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau	Residential/ Commercial	35,900.00 square metres/ 5,207.70 square metres	58	Superstructure in progress	2009
Lots nos. 3753G, 3753H, 3753J, 3753K, 3753L, 3753M, 3753N, 3779C, 3779D, 3780B, 3781A, 3781B, 3781C, 3782A, and 3782RP in Demarcation District No. 124, Tuen Mun, New Territories Hong Kong	Residential	2,870.70 square metres/ 1,770.00 square metres	60	Superstructure completed	2009
Lots no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong	Residential	1,122.26 square metres/ 632.99 square metres	100	Superstructure completed	2009
Villa de Mer Lote V at The Orient Pearl District Novos Aterros da Areia Preta, Macau*	Residential/ Commercial	138,142.00 square metres/ 13,699.00 square metres	80	Superstructure in progress	2010
Lotes P and T & T1 at The Orient Pearl District Novos Aterros da Areia Preta, Macau*	Residential/ Commercial	886,551.00 square metres/ 85,970.00 square metres	80	Construction not yet commenced	From 2010 to 2013

* *The development of these properties is under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company of the Company.*

Particular of Properties

31 December 2008

Property	Purpose	Gross floor area	Group interest (%)	Stage of completion	Category of lease
Properties held for sale of the Group:					
61 shop units, 1 office unit and 102 carparking spaces in China Plaza at Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau	Commercial	4,116.78 square metres and 102 carparking spaces	70.5	Completed	N/A
Investment properties of the Group:					
38 shop units and 14 carparking spaces of Va Iong at Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259, Macau	Commercial	1,887.31 square metres and 14 carparking spaces	100	N/A	Medium term lease
Investment properties of the jointly controlled entity:					
208 shop units, 208 office units and 265 carparking spaces of The Macau Square at Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113, Macau	Commercial	36,553.05 square metres and 265 carparking spaces	50	N/A	Medium term lease