百利保控股有限公司
Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 617)

ANNUAL REPORT 2008

Contents

Corporate Information

DIRECTORS

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Donald Fan Tung
(Chief Operating Officer)
Bowen Joseph Leung Po Wing, GBS, JP#
Jimmy Lo Chun To
Lo Po Man
Kenneth Ng Kwai Kai
Ng Siu Chan#
Abraham Shek Lai Him, SBS, JP#
Wong Chi Keung#
Kenneth Wong Po Man

Independent Non-Executive Director

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, SBS, JP

REMUNERATION COMMITTEE

Lo Yuk Sui (Chairman)
Ng Siu Chan
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank
(Hong Kong) Limited
Standard Bank Asia Limited

AUDITORS

Ernst & Young

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM08, Bermuda

BRANCH REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,
Pembroke, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,
Causeway Bay,
Hong Kong

Tel: 2894 7888
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Directors' Profile

Mr. Lo Yuk Sui, *aged 64; Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed associate of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Donald Fan Tung, *aged 52; Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

Mr. Bowen Joseph Leung Po Wing, *GBS, JP, aged 59; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administration Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is also an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Jimmy Lo Chun To, *aged 35; Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a degree in architecture. Apart from his involvement in the design of the Group's property projects and the hotel projects of the RHIHL Group, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 29; Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a bachelor degree in psychology. She is also an executive director of CCIHL and RHIHL. Miss Lo joined the RHIHL Group in 2000 and has been involved in the marketing and sales functions of the RHIHL Group. She is an executive director of the estate agency business of the RHIHL Group and has undertaken an active role in directing the marketing campaign of the Regalia Bay luxury residential development in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the RHIHL Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, *aged 54; Executive Director* — Appointed to the Board in 1995. Mr. Ng has been with the Group since 1985 and is in charge of the company secretarial and corporate finance functions of the Group. Mr. Ng is a Chartered Secretary. He is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and, since 12th June, 2008, a non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange.

Mr. Ng Siu Chan, *aged 78; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Hon Abraham Shek Lai Him, *SBS, JP, aged 63; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek holds a bachelor degree of Arts. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region. He is also a Member of the Council of The Hong Kong University of Science & Technology, Member of the Court of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and, since 1st January, 2009, Vice Chairman of Independent Police Complaints Council. Mr. Shek is an independent non-executive director and a member of the audit committee of Chuang's Consortium International Limited, the chairman and an independent non-executive director of Chuang's China Investments Limited (both since 24th April, 2008), an independent non-executive director and a member of the audit committee of Country Garden Holdings Company Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited (which commenced listing on the Stock Exchange on 16th July, 2008) and Titan Petrochemicals Group Limited, and an independent non-executive director of Hop Hing Group Holdings Limited (which, being the holding company of Hop Hing Holdings Limited, the predecessor listed company, commenced listing on the Stock Exchange on 29th April, 2008), Hsin Chong Construction Group Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML. He resigned as an independent non-executive director of See Corporation Limited, a company listed on the Stock Exchange, on 1st October, 2008.

Mr. Wong Chi Keung, *aged 54; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and corporate finance for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed (in January 2009)), FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which companies are listed on the Stock Exchange. He retired as an independent non-executive director of International Entertainment Corporation, a company listed on the Stock Exchange, on 23rd September, 2008. Mr. Wong has over 30 years of experience in finance, accounting and management.

Mr. Kenneth Wong Po Man, *aged 43, Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has been with the Group for over 15 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and its associates and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance.

Chairman's Report

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2008.

FINANCIAL RESULTS

For the year ended 31st December, 2008, the Group recorded a consolidated loss attributable to shareholders of HK$468.8 million, as compared to the profit of HK$1,413.8 million attained in 2007. As explained before, a significant part of the profit attained last year was attributable to the profit contribution from Regal Hotels International Holdings Limited, the Group's listed associate, derived from the spin-off of Regal Real Estate Investment Trust implemented in March 2007.

The loss incurred by the Group for the year under review was mainly attributable to the losses arising from the changes in the fair values of certain investment properties and financial assets held by the Group, Regal and Regal REIT which is an associate of Regal.

The decrease in the fair values of the investment properties and financial assets largely reflected the significant downturn in the financial and property market conditions in Hong Kong which, in turn, was brought about by the recent global financial crisis. These fair value losses are however non-cash items and do not have an immediate impact on the cash flow of the Group.

For the purpose of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to reflect more fairly the share of net assets as attributable to the interests held by Regal in Regal REIT, is provided in the section headed "Management Discussion and Analysis" in the Report of the Directors.

SHARE CONSOLIDATION

To achieve savings for shareholders on the trading and transaction costs for dealing in the ordinary shares of the Company, which are charged on a per board lot basis, the Company implemented earlier in October 2008 a share consolidation scheme by consolidating every 10 ordinary shares of HK$0.01 each into 1 ordinary share of HK$0.10. Following the share consolidation, the issued ordinary share capital of the Company as at 31st December, 2008 comprised approximately 1,019.3 million ordinary shares of HK$0.10 each.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31st December, 2008 (2007 – HK4.0 cents, as adjusted for the share consolidation implemented in October 2008), absorbing an amount of approximately HK$20.4 million (2007 – HK$40.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th June, 2009. The final dividend being recommended is comparatively lower than that in last year as it is considered prudent for the Company to conserve cash resources under the present economic climate.

Together with the interim dividend of HK1.8 cents (as adjusted for the share consolidation) per ordinary share paid in October 2008 (2007 – HK1.8 cents, as adjusted), total dividends per ordinary share for the year ended 31st December, 2008 will amount to HK3.8 cents (2007 – HK5.8 cents, as adjusted).

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Thursday, 4th June, 2009 to Tuesday, 9th June, 2009, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2010 warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Wednesday, 3rd June, 2009. The relevant dividend warrants are expected to be despatched on or about 30th June, 2009.

REVIEW OF OPERATIONS

PROPERTIES

HONG KONG

Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East

The Group has a 30% interest in this joint venture project which entails primarily residential accommodation comprising luxury apartments together with ancillary retail areas having total gross floor area of about 913,000 square feet, and complemented with recreational and car parking facilities.

The site formation and foundation works of this project have all been completed. Superstructure works have recently been commenced and are scheduled to be completed by the end of 2010.

211 Johnston Road, Wanchai

The Group retains as investment properties certain of the ground floor shops and all the office floors in this commercial building, which have an aggregate gross floor area of about 63,000 square feet.

The Group has recently obtained approval of the building plans from the Buildings Department for the conversion of 9 office floors in this building into a hotel with about 50 rooms. Preparatory works are underway and actual conversion works are anticipated to start shortly. Although the market valuation of this investment property as at 31st December, 2008, based on existing use without the benefit of the planned conversion project, has dropped as compared with its market valuation as at the balance sheet date in 2007, it is expected that there will be substantial appreciation in the overall value of this property after the conversion project is completed.

THE PEOPLE'S REPUBLIC OF CHINA

Development Project in the Central Business District of Beijing

This development project is held through a Sino-foreign joint venture entity that is 59%-owned by an associate which, in turn, is 50% each owned by Regal group and the Group. Based on latest available information, it is anticipated that the joint venture entity will succeed in its application to secure the award by the Beijing Municipal Bureau of Land and Resources of the primary development rights for the Phase II land site. Pending further resolution of detailed terms of joint venture with the local partner, it is hopeful that the Sino-foreign joint venture entity will be able to solidly proceed with this prominent large scale project in Beijing in the not too distant future.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

CONSTRUCTION BUSINESS

Chatwin Engineering Limited, the Group's 100%-owned construction arm, continues to operate steadily and profitably during the year under review. The original contract works for the addition of new floor areas and a new swimming pool on the top portion of Regal Hongkong Hotel have already been completed, while the contract works for the construction of three additional stories on top of the Regal Riverside Hotel in Shatin as well as the Redevelopment of Sau Mau Ping Estate Phases 13 & 16 awarded by the Housing Authority are both expected to be completed in the second quarter of this year. Despite the continued contraction of new building developments in Hong Kong, Chatwin is actively seeking to secure new construction contracts, both in the public as well as in the private sectors.

BUILDING RELATED BUSINESSES

The Group operates a comprehensive range of building related businesses, including development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security systems and services operated through the Leading Technology group.

The Leading Technology group is presently providing its self-developed hotel property management software systems to all the 5 Regal Hotels in Hong Kong and is at the same time expanding its client base to other hotels in Mainland China, particularly for those to be managed by Regal group.

OTHER INVESTMENTS

In February 2008, the Group subscribed for HK$100 million of zero coupon guaranteed convertible bonds due 2013 issued by a wholly-owned subsidiary of Cosmopolitan International Holdings Limited and was granted an option to subscribe on same terms for further such bonds up to an additional principal amount of HK$100 million.

As consideration for the disposal of the properties at Rainbow Lodge in Yuen Long, New Territories in early 2007, Cosmopolitan group issued to the Group the convertible bonds due 2009 in an aggregate principal amount of HK$56 million and, in conjunction therewith, the Group has granted to Cosmopolitan group certain placement rights over such convertible bonds with certain sharing provisions. In August 2008, the Group completed an agreement with Cosmopolitan group for the disposal by the Group of part of the convertible bonds due 2009 in a principal amount of HK$11 million, to a third party investor procured by Cosmopolitan group at a consideration of approximately HK$78.6 million, equivalent to an effective disposal price of HK$0.50 per Cosmopolitan share. Under that agreement, the Group also sought release from Cosmopolitan group of the placement rights over part of the remaining convertible bonds due 2009 in a principal amount of HK$7 million at a consideration of approximately HK$29.7 million, at the same effective price of HK$0.50 per Cosmopolitan share.

To maintain the Group's strategic position in Cosmopolitan group, the Group further subscribed in January 2009 certain zero coupon guaranteed convertible bonds due 2011 issued by Cosmopolitan group for a principal amount of HK$28 million. The convertible bonds due 2011 are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.30 per Cosmopolitan share and carry a redemption yield of 5% per annum. In February this year, the Group converted part of its holding of the convertible bonds due 2009 in a principal amount of HK$14 million into 200 million new ordinary shares of Cosmopolitan. Due to considerations under the Codes on Takeovers and Mergers, the Group did not exercise the conversion rights over its remaining holding of the convertible bonds due 2009 in a principal amount of HK$31 million, which were redeemed by Cosmopolitan group in cash at an aggregate redemption amount of approximately HK$33.2 million on their maturity in March 2009.

Presently, the Group holds approximately 16.9% of the issued ordinary shares of Cosmopolitan and assuming that all the outstanding convertible bonds and options on convertible bonds granted by the Cosmopolitan group, including those held by the Group, are fully converted and/or exercised, the Group can hold up to approximately 25.9% of the fully diluted shareholding of Cosmopolitan. At the same time, Regal group also holds substantial interests in the securities of Cosmopolitan and, on the same fully-diluted basis, it can also come to own up to approximately 32.8% of the enlarged share capital of Cosmopolitan.

Apart from its joint venture with Regal group on the development project in Xindu District in Chengdu, Cosmopolitan group has been working on a large scale development project involving re-forestation and landscaping works in Urumqi City in Xinjiang as well as certain proposed projects in other parts of China.

As also noted in the 2008 Interim Report, the strategic investments in Cosmopolitan group is expected to provide an opportunity to the Group to share in its growth potential, while creating a platform for further business collaborations that will benefit all the three groups in the future.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2008, Regal recorded a consolidated loss attributable to shareholders of HK$808.8 million, as compared to the consolidated profit of HK$2,957.3 million attained in 2007 which, as explained before, included a one-off gain of HK$2,293.5 million derived from the spin-off of Regal REIT. The loss incurred by Regal was mainly attributable to the losses arising from the changes in the fair values of certain investment properties and financial assets held by Regal group and Regal REIT.

Nevertheless, the underlying net asset value of Regal's ordinary shares is still significantly higher than the market price of the shares. With a view to enhancing the net asset value of the outstanding shares of Regal, Regal has continued with the share repurchases pursuant to the mandate granted to its directors and repurchased an aggregate of about 35.4 million ordinary shares (as adjusted for the 10-into-1 share consolidation also implemented by Regal in October 2008) during the year under review.

In December 2008, the outstanding 16,748 5¼% convertible cumulative redeemable preference shares issued by Regal in 1993 matured for redemption, about 26.5% of which was held by the Group. Although Regal has the option to redeem the preference shares by issuing to the preference shareholders new ordinary shares at an issue price effectively based on 95% of the market share price which, as mentioned above, was at substantial discount to its underlying net asset value, Regal has elected to redeem all the outstanding preference shares for an aggregate cash redemption amount of approximately HK$129.9 million, of which, approximately HK$34.4 million was received by the Group.

HOTELS

Hong Kong

During the year under review, the tourist industry in Hong Kong remained relatively stable until the latter part of 2008, when the adverse impact of the global financial crisis became more apparent and exacerbated. Visitors from major long haul markets have on the whole recorded negative growth on a year-on-year basis, though the shortfall was compensated by the continuing influx of visitors from Mainland China. For the whole year of 2008, the total number of visitors to Hong Kong was over 29.5 million, a growth of about 4.7% as compared with 2007, with visitors from Mainland China having further increased to account for about 57.1% of the total number.

Based on the information published by Tourism Research of the Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories for the year 2008 was 85%, which was only marginally below the 86% recorded for 2007. Due to the reduction in the number of long haul visitors, particularly those from America and Europe, there was increased pressure on room rates since the last quarter of the year, especially for the upscale hotel category, but on a year round basis, the average achieved room rate for all hotels as a whole was still able to be maintained at about the same level recorded for 2007.

The five Regal Hotels in Hong Kong, which are now owned by Regal REIT but operated and managed by Regal group, have on the whole performed steadily during the year. Despite the relatively competitive market condition in the latter part of 2008, the five Regal Hotels managed to achieve a modest improvement of 0.7% in their average RevPAR (Revenue per Available Room) over 2007, which is above market average.

Regal Hotels International Limited, which is the hotel management arm of Regal group and acts as the hotel manager of the five Regal Hotels in Hong Kong, was awarded "The Best Hotel Management Group of China of China Hotel Starlight Award (2008)". In recognition of its quality and service standard, the Regal Airport Hotel was awarded "Best Airport Hotel in the World 2008" by Business Traveller, UK Magazine, the "Best Airport Hotel in Asia-Pacific" by Business Traveller Asia-Pacific Magazine and TTG Asia Media Pte Limited for many consecutive years since 2001 and 2005, respectively, as well as "The Top 10 Convention & Exhibition Hotels of China of China Hotel Starlight Award (2007-2008)". Moreover, the Regal Oriental Hotel was also awarded "The Top 10 City – Nova Hotels of China of China Hotel Starlight Award (2008)".

The People's Republic of China

Regal group will continue to expand its hotel operations in Mainland China, which will initially be focused on major first and second tier cities.

In April 2008, Regal group entered into a formal management contract with Shanghai Jinfeng Investment Co. Ltd. for the provision of hotel management services to a 380-room four star business hotel in Pudong, Shanghai. The hotel is being named as Regal Jinfeng Hotel and now scheduled to be opened in the third quarter of 2009.

Lately in January this year, Regal group entered into a hotel management contract with Sichuan Master Investment Group Company Limited for Regal group to provide management services to a 350-room five star luxury hotel in Chengdu, the capital city of Sichuan. The hotel is being named as Regal Master Hotel and scheduled for opening in the fourth quarter of this year.

Regal group is also providing hotel consultancy and pre-opening services to a hotel project in Dezhou in Shandong and, subject to further agreement on the detailed terms, may extend to full management services to the hotel when it comes into business operations.

Together with the two hotels in Shanghai presently managed by the Regal group, there will be a total of four Regal managed hotels in the Mainland by the end of this year. Regal group is endeavouring to expand its portfolio to more than 20 managed or owned hotels in the first and second tier cities of China within the next five years.

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2008, Regal REIT recorded a consolidated net loss before distributions to its unitholders of approximately HK$2,150.2 million. As already explained above, the loss incurred by Regal REIT was mainly attributable to the revaluation deficit arising from the changes in the fair values of its hotel portfolio based on the independent valuer's appraisal as at 31st December, 2008. Total distributable income for the year under review amounted to approximately HK$501.9 million, as compared to HK$421.5 million for the period ended 31st December, 2007.

Although 2009 is expected to be a very challenging year, Regal REIT's existing lease structure with Regal group provides a strong shelter to protect against fluctuations in market conditions. Moreover, all the five Regal Hotels in Hong Kong are of good quality and cater strategically to different clienteles and market segments.

In 2008, Regal REIT has committed to capital additions projects with a total cost of about HK$85 million covering all the five Regal Hotels. Notable projects that have since been completed included the conversion of space in Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel to add a total of approximately 16,700 square feet of state-of-the-art conference and meeting facilities, the renovation and upgrade of another guest room floor with 51 hotel rooms in Regal Kowloon Hotel to club floor standard, the setting up of 3 additional food outlets in Regal Riverside Hotel offering various choices of specialty cuisine, and the upgrade of the external façade at Regal Oriental Hotel. Projects approved and scheduled for completion in 2009 include the re-decoration and upgrade of the Chinese restaurant in Regal Kowloon Hotel and the renovation and upgrade of the external façades at Regal Kowloon Hotel and Regal Riverside Hotel.

The delay in the implementation by Regal REIT of the expansion plans for the acquisition of hotel properties has apparently proven to have been a correct strategy. Management of Regal REIT continues to actively review hotel acquisition opportunities but in view of the uncertainty on the timing of an overall economic revival, the near-term focus of Regal REIT is still to preserve liquidity and be prepared for any appropriate acquisition opportunities that may arise.

Regal Portfolio Management Limited

Regal Portfolio Management Limited ("RPML") is a wholly-owned subsidiary of Regal group and acts as the manager of Regal REIT. Aggregate manager's fees received or receivable by RPML from Regal REIT for 2008 amounts to approximately HK$66.7 million, representing an increase of about 25% as compared with the total fees received for 2007, as the financial year ended 31st December, 2008 was the first full year of operation for Regal REIT since its separate listing on 30th March, 2007.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

Regal group beneficially owns 31 houses in Regalia Bay, some of which have been leased out for rental purposes and generated gross rental revenues of about HK$30.3 million in 2008. During the year under review, 15 of those houses that were leased to third party lessees have been reclassified from properties held for sale to investment properties. Due to such reclassification, a fair value gain of HK$358.5 million was recognised by Regal group in the interim results for 2008, based on their independent professional valuations as at 30th June, 2008.

Affected by the global financial crisis, the property market in Hong Kong as a whole has been adversely impacted since the second half of 2008. Market valuations as at 31st December, 2008 of the Regalia Bay houses that are now held by Regal group as investment properties have similarly been affected. Consequently, a fair value loss of HK$321.6 million, reflecting the decrease in their market valuations since 1st July, 2008, has also been incorporated in the results of Regal for the year under review.

However, the carrying costs of the remaining 16 houses that are being held for sale are still below their market valuations as at the last balance sheet date. Pending revival of the property market, Regal group may in the interim period lease out some of these houses for rental income, unless the prices offered by prospective purchasers are favourable.

The People's Republic of China

Development Project in the Central Business District of Beijing

As referred to above, Regal group is the 50% joint venture partner of the Group with respect to the investment in the development project held through the Sino-foreign joint venture entity in the PRC.

Development Project in Xindu District, Chengdu, Sichuan Province

This development project is 50% beneficially owned by each of Regal group and Cosmopolitan group. The land transfer consideration for the subject site of RMB213.1 million was fully settled in July 2008.

This is a mixed-use project comprising a hotel and commercial complex with aggregate gross floor area of about 180,000 square meters above ground together with about 56,000 square meters of commercial, auxiliary services and car park areas below ground as well as residential development with aggregate gross floor area of about 315,000 square meters. Planning works are still in progress but further development works might proceed at a more controlled pace due to the recent changes in the general market conditions in China.

OUTLOOK

Regal group

The adverse effects to the overall economy caused by the global financial crisis are unprecedented and the impact to the financial and capital markets worldwide is far reaching. Revival of global economy will depend on when liquidity can be reinstated to normal levels and overall confidence restored. The Chinese government has recently announced enormous stimulus packages to generate liquidity and to boost domestic consumption, with a view to maintaining the GDP growth in the Mainland. In the meantime, plans are also being devised to help sustain the tourist industry and economic development in Hong Kong. Nevertheless, overall business environment in Hong Kong in 2009 will be very challenging and competitive.

Regal group has since last year taken a relatively cautious approach towards commitment to new significant investments. Regal group is financially strong and in net cash position. While Regal group is well-prepared for the challenges that may lie ahead, it is also at the same time well-poised to capitalise on any appropriate acquisition and expansion opportunities that will become available.

Paliburg Group

Due to the adverse economic climate that persisted globally during the past year, the Group has similarly been cautious in undertaking new investments. Overall business environment in 2009 will still be volatile and challenging, and the Group is also well-prepared and maintaining a solid balance sheet with net cash position. The Group will for the time being focus its resources principally on its existing investment portfolio, though remaining watchful over new investment opportunities. Nevertheless, the Group's strategic investments in Regal and Cosmopolitan as well as the joint venture interests held in the residential project in Ap Lei Chau, Hong Kong and the composite project in the Central Business District in Beijing all pose significant growth potentials and are expected to generate substantial benefits to the Group in the years ahead.

Accordingly, the Directors remain confident of the long term prospects of the Group.

DIRECTORS AND STAFF

Taking this opportunity, I would like to express my gratitude to my fellow Directors for their advice and support and all the management and staff members for their hard work and contribution.

LO YUK SUI
Chairman

Hong Kong
31st March, 2009

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, construction and building related businesses and other investments. Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and its subsidiaries (together, the "RHIHL Group") are engaged in the business activities of hotel operation and management, investment in Regal Real Estate Investment Trust ("Regal REIT") (which owns the five Regal Hotels in Hong Kong), asset management of Regal REIT, property development and investment, and other investments.

There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 134.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments principally constitute its interests in RHIHL. The significant investments of RHIHL comprise its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT, the asset management of Regal REIT, the interest in the remaining houses in Regalia Bay in Stanley and other investment businesses. The performance of RHIHL and its hotel operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance, the progress and prospects on the Regalia Bay properties as well as the performance of Regal REIT are contained in the Chairman's Report which precedes this report.

A detailed review of the other business operations and outlook of the Group is also contained in the Chairman's Report.

Cash Flow and Capital Structure

Net cash outflow from operating activities during the year under review amounted to HK$17.1 million (2007 - inflow of HK$32.3 million). Net interest receipt for the year amounted to HK$1.1 million (2007 - net interest payment of HK$10.4 million).

At the special general meeting of the Company held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of the Company (on the basis that every 10 then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.10) (the "Share Consolidation") was approved by the shareholders of the Company. The Share Consolidation subsequently became effective on 23rd October, 2008.

As a result, with effect from the Share Consolidation becoming effective, corresponding adjustments were made to:

(1) the exercise price (adjusting from HK$0.197 per share to HK$1.97 per share) and the number of shares falling to be allotted and issued (adjusting from 308,574,000 to 30,857,400) upon exercise of the outstanding share options granted under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"); and

(2) the subscription price of the outstanding 2010 Warrants of the Company ("2010 Warrants") (adjusting from HK$0.21 per share to HK$2.10 per share) and consequently, the number of shares which the holders of the then outstanding 2010 Warrants carrying subscription rights in the aggregate amount of HK$236,053,677.30 were entitled to upon exercise of such Warrants.

Details of the Share Consolidation and the resultant adjustments were disclosed in the circular and the announcement of the Company dated 30th September, 2008 and 22nd October, 2008, respectively.

During the period from 1st January, 2008 to 22nd October, 2008, a total of 6.3 million new ordinary shares of HK$0.01 each of the Company were allotted and issued to the holders of the 2010 Warrants who exercised the subscription rights in an aggregate amount of HK$1.3 million attaching to the 2010 Warrants at the then prevailing subscription price of HK$0.21 per share. During the period from the effective date of the Share Consolidation to the balance sheet date, a total of 1,537 new ordinary shares of HK$0.10 each of the Company were allotted and issued to the holders of the 2010 Warrants who exercised the subscription rights in an aggregate amount of HK$3,229.38 attaching to the 2010 Warrants at the adjusted subscription price of HK$2.10 per share.

Up to the date of this report, a total of 0.8 million new ordinary shares of HK$0.10 each of the Company (after taking into account the effect of the Share Consolidation) have been allotted and issued upon exercise of the 2010 Warrants. As of the date of this report, the aggregate amount of the 2010 Warrants remaining outstanding is HK$236.1 million, and these outstanding 2010 Warrants are exercisable to subscribe for 112.4 million new ordinary shares of HK$0.10 each of the Company at the prevailing adjusted subscription price of HK$2.10 per share (subject to adjustment).

Asset Value

Based on the consolidated balance sheet as at 31st December, 2008, the book net asset value of the ordinary shares of the Company was HK$4.72 per share. Such book net asset value has been significantly affected by the elimination in the books of RHIHL of its unrealised gain on the disposal of subsidiaries owning the hotel properties to Regal REIT in 2007 against the interest held by RHIHL in Regal REIT as well as the sharing by RHIHL of the fair value loss on the hotel properties held by Regal REIT for the year under review, which resulted in the interest held by RHIHL in Regal REIT having been stated at zero value as at 31st December, 2008.

In order to more fairly reflect the underlying net asset value of the Group, management of the Group considers it appropriate to also present, for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on an adjusted basis to restate the Group's interest in RHIHL based on its adjusted net assets to reflect the share of the underlying net assets of Regal REIT attributable to RHIHL. Accordingly, on the basis that RHIHL's interest in Regal REIT were to be stated based on the published net asset value per unit of Regal REIT of HK$2.596 as at 31st December, 2008, the adjusted net asset value of the ordinary shares of the Company would be HK$6.22 per share.

	As at 31st December, 2008
Book net asset value per ordinary share	**HK$4.72**
Adjusted net asset value per ordinary share	**HK$6.22**

Borrowings

As at 31st December, 2008, the Group had cash and bank balances net of borrowings of HK$63.4 million (2007 - HK$154.9 million).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 34 and 35, respectively, to the financial statements.

Details of the maturity profile of the Group's borrowings are set out in note 27 to the financial statements.

Material Acquisitions or Disposals of Subsidiaries or Associates

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

Save as otherwise disclosed in the Chairman's Report, the Group has no immediate plan for material investments or capital assets.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

As the Group's borrowings were all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the year under review.

Remuneration Policy

The Group, together with the RHIHL group, employ approximately 2,070 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company maintains the Paliburg Share Option Scheme, under which share options have been granted to selected eligible persons.

DIVIDENDS

An interim dividend of HK1.8 cents (as adjusted for the Share Consolidation) per ordinary share (2007 - HK1.8 cents, as adjusted), absorbing an amount of approximately HK$18.3 million (2007 - HK$13.6 million) was paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31st December, 2008 (2007 - HK4.0 cents, as adjusted for the Share Consolidation), absorbing an amount of approximately HK$20.4 million (2007 - HK$40.8 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 9th June, 2009. This recommendation has been incorporated in the financial statements.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders will be closed from Thursday, 4th June, 2009 to Tuesday, 9th June, 2009, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2010 Warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Wednesday, 3rd June, 2009. The relevant dividend warrants are expected to be despatched on or about 30th June, 2009.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Donald Fan Tung
Mr. Bowen Joseph Leung Po Wing, GBS, JP
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, SBS, JP
Mr. Wong Chi Keung
Mr. Kenneth Wong Po Man

On 13th February, 2008, Mr. Bowen Joseph Leung Po Wing was appointed as an Independent Non-Executive Director.

In accordance with Bye-law 99 of the Bye-laws of the Company and for compliance with the Code on Corporate Governance Practices 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"), Mr. Jimmy Lo Chun To and Miss Lo Po Man, both Executive Directors, and Hon Abraham Shek Lai Him, an Independent Non-Executive Director, will retire from office by rotation at the 2009 Annual General Meeting.

All the retiring Directors, being eligible, have offered themselves for re-election at the 2009 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, are set out in the circular of the Company relating to, inter alia, the re-election of Directors sent to shareholders together with the 2008 Annual Report.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the Paliburg Share Option Scheme and the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme") (together, the "Schemes"), under which options have been granted to certain Directors.

During the year, no options was granted to any Directors under the Schemes, and none of the Directors exercised options to subscribe for shares under the Schemes.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

			Number of shares held			
	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2008)
1. **The Company**	Mr. Lo Yuk Sui	Ordinary				
		(i) issued	60,062,373	627,572,684 (Note c(i))	13,500	687,648,557
		(ii) unissued	21,951,641 (Notes c(ii) & (iii))	64,284,117 (Notes c(iv) & (v))	1,500 (Note c(vi))	86,237,258
					Total (i) & (ii):	773,885,815 (75.92%)
	Mr. Donald Fan Tung	Ordinary				
		(i) issued	471	–	–	471
		(ii) unissued	2,232,085 (Note d)	–	–	2,232,085
					Total (i) & (ii):	2,232,556 (0.22%)

	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2008)
			Number of shares held			
1. **The Company**	Mr. Jimmy Lo Chun To	Ordinary				
		(i) issued	38,340	–	–	38,340
		(ii) unissued	2,236,260 (Note e)	–	–	2,236,260
					Total (i) & (ii):	2,274,600 (0.22%)
	Miss Lo Po Man	Ordinary (unissued)	1,116,000 (Note f)	–	–	1,116,000 (0.11%)
	Mr. Kenneth Ng Kwai Kai	Ordinary				
		(i) issued	67,500	–	–	67,500
		(ii) unissued	2,183,700 (Note g)	–	–	2,183,700
					Total (i) & (ii):	2,251,200 (0.22%)
	Mr. Ng Siu Chan	Ordinary				
		(i) issued	–	–	72,427	72,427
		(ii) unissued	–	–	8,047 (Note h)	8,047
					Total (i) & (ii):	80,474 (0.008%)
	Mr. Kenneth Wong Po Man	Ordinary				
		(i) issued	200	–	–	200
		(ii) unissued	1,116,000 (Note f)	–	–	1,116,000
					Total (i) & (ii):	1,116,200 (0.11%)

Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2008)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary				
		(i) issued	31,801,690	1,166,482,217 (Note a(i))	251,000	1,198,534,907
		(ii) unissued	40,890,338 (Notes a(ii) & (iii))	233,296,441 (Note a(iv))	50,200 (Note a(v))	274,236,979
					Total (i) & (ii):	1,472,771,886 (63.74%)
	Mr. Jimmy Lo Chun To	Ordinary				
		(i) issued	165,980	–	–	165,980
		(ii) unissued	33,196 (Note b(i))	–	–	33,196
					Total (i) & (ii):	199,176 (0.009%)
	Miss Lo Po Man	Ordinary				
		(i) issued	74,043	–	–	74,043
		(ii) unissued	14,808 (Note b(ii))	–	–	14,808
					Total (i) & (ii):	88,851 (0.004%)
	Mr. Ng Siu Chan	Ordinary				
		(i) issued	–	–	2,322,180	2,322,180
		(ii) unissued	–	–	464,436 (Note b(iii))	464,436
					Total (i) & (ii):	2,786,616 (0.12%)
	Mr. Kenneth Wong Po Man	Ordinary				
		(i) issued	200	–	–	200
		(ii) unissued	40 (Note b(iv))	–	–	40
					Total (i) & (ii):	240 (0.000%)

	Name of associated corporation	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2008)
				Number of shares held			
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary				
			(i) issued	24,200	477,507,262 (Note i(i))	260,700	477,792,162
			(ii) unissued	20,000,000 (Note i(ii))	–	–	20,000,000
						Total (i) & (ii):	497,792,162 (49.06%)
		Mr. Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note j)	–	–	2,000,000 (0.20%)
		Mr. Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note k)	–	–	1,500,000 (0.15%)
		Miss Lo Po Man	Ordinary				
			(i) issued	300,000	–	269,169 (Note l(i))	569,169
			(ii) unissued	3,000,000 (Note l(ii))	–	–	3,000,000
						Total (i) & (ii):	3,569,169 (0.35%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note j)	–	–	2,000,000 (0.20%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note m)	–	1,000 (100%)

Notes:

(a) (i) The interests in 91,482,217 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 1,075,000,000 issued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a)	Name of corporation	Controlled by	% of control
	CCIHL	Mr. Lo	51.86
	Century City BVI Holdings Limited	CCIHL	100.00
	8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited ("Grand Modern")	Century Digital Holdings Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo	100.00
	Secure Way Technology Limited	Mr. Lo	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern	Century Digital Holdings Limited	100.00

(ii) The interests in 35,000,000 unissued ordinary shares of CCIHL were held through the interests in the options granted under the Century Share Option Scheme, entitling the holder thereof to subscribe for a total of 35,000,000 new ordinary shares of CCIHL at an adjusted exercise price of HK$1.20 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of CCIHL under vested options
12th May, 2007 to 11th May, 2011	14,000,000
12th May, 2008 to 11th May, 2011	7,000,000
12th May, 2009 to 11th May, 2011	7,000,000
12th May, 2010 to 11th May, 2011	7,000,000

(iii) The interests in 5,890,338 unissued ordinary shares of CCIHL related to the interests in the warrants of CCIHL (the "2011 Warrants") carrying subscription rights in an aggregate amount of HK$5,890,338.00, which are exercisable during the period from 18th April, 2006 to 11th January, 2011 to subscribe for a total of 5,890,338 new ordinary shares of CCIHL at an adjusted subscription price of HK$1.00 per ordinary share (subject to adjustment).

(iv) The interests in 233,296,441 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK$233,296,443.60, which are exercisable to subscribe for a total of 233,296,441 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

The interests in 18,296,441 unissued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

The interests in 215,000,000 unissued ordinary shares of CCIHL were held through corporations controlled by Mr. Lo as detailed below:

(a)	Name of corporation	Controlled by	% of control
	CCIHL	Mr. Lo	51.86
	Century City BVI Holdings Limited	CCIHL	100.00
	8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern	Century Digital Holdings Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo	100.00
	Secure Way Technology Limited	Mr. Lo	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern	Century Digital Holdings Limited	100.00

(v) The interests in 50,200 unissued ordinary the shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK$50,200.00, which are exercisable to subscribe for a total of 50,200 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

(b) (i) The interests in 33,196 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK$33,196.00, which are exercisable to subscribe for a total of 33,196 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

(ii) The interests in 14,808 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK$14,808.70, which are exercisable to subscribe for a total of 14,808 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

(iii) The interests in 464,436 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK$464,436.00, which are exercisable to subscribe for a total of 464,436 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

(iv) The interests in 40 unissued ordinary shares of CCIHL related to the interests in the 2011 Warrants carrying subscription rights in an aggregate amount of HK$40.00, which are exercisable to subscribe for a total of 40 new ordinary shares of CCIHL upon the terms as set out in note (a)(iii) above.

(c) (i) The interests in 585,654,624 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 51.86% shareholding interests.

The interests in 14,592,860 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	**Controlled by**	**% of control**
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 27,325,200 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	**Controlled by**	**% of control**
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(ii) The interests in 20,088,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 20,088,000 new ordinary shares of the Company at an adjusted exercise price of HK$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
12th May, 2007 to 11th May, 2011	8,035,200
12th May, 2008 to 11th May, 2011	4,017,600
12th May, 2009 to 11th May, 2011	4,017,600
12th May, 2010 to 11th May, 2011	4,017,600

(iii) The interests in 1,863,641 unissued ordinary shares of the Company related to the interests in the warrants of the Company (the "2010 Warrants") carrying subscription rights in an aggregate amount of HK$3,913,646.94, which are exercisable during the period from 20th November, 2007 to 8th November, 2010 to subscribe for a total of 1,863,641 new ordinary shares of the Company at an adjusted subscription price of HK$2.10 per ordinary share (subject to adjustment).

(iv) The interests in 59,465,921 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$124,878,444.39, which are exercisable to subscribe for a total of 59,465,921 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above and were held through companies wholly owned by CCIHL, in which Mr. Lo held 51.86% shareholding interests.

(v) The interests in 4,818,196 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$10,118,213.28, which are exercisable to subscribe for a total of 4,818,196 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

The interests in 1,678,825 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 3,139,371 unissued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(vi) The interests in 1,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$3,150.00, which are exercisable to subscribe for a total of 1,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

(d) (i) The interests in 2,232,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

(ii) The interests in 85 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$179.55, which are exercisable to subscribe for a total of 85 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

(e) (i) The interests in 2,232,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,232,000 new ordinary shares of the Company at an adjusted exercise price of HK$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	892,800
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

(ii) The interests in 4,260 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$8,946.00, which are exercisable to subscribe for a total of 4,260 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

(f) The interests in 1,116,000 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,116,000 new ordinary shares of the Company at an adjusted exercise price of HK$1.97 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	446,400
25th July, 2008 to 24th July, 2011	223,200
25th July, 2009 to 24th July, 2011	223,200
25th July, 2010 to 24th July, 2011	223,200

(g) (i) The interests in 2,176,200 unissued ordinary shares of the Company were held through the interests in the options granted under the Paliburg Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,176,200 new ordinary shares of the Company at an adjusted exercise price of HK$1.97 per ordinary share (subject to adjustment). The options remaining outstanding have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of the Company under vested options
25th July, 2007 to 24th July, 2011	837,000
25th July, 2008 to 24th July, 2011	446,400
25th July, 2009 to 24th July, 2011	446,400
25th July, 2010 to 24th July, 2011	446,400

(ii) The interests in 7,500 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$15,750.00, which are exercisable to subscribe for a total of 7,500 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

(h) The interests in 8,047 unissued ordinary shares of the Company related to the interests in the 2010 Warrants carrying subscription rights in an aggregate amount of HK$16,899.75, which are exercisable to subscribe for a total of 8,047 new ordinary shares of the Company upon the terms as set out in note (c)(iii) above.

(i) (i) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 51.86% shareholding interests, and the interests in the other 477,085,862 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 57.45% shareholding interests.

(ii) The interests in 20,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the share option scheme of RHIHL named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), entitling the holder thereof to subscribe for a total of 20,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 12th May, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
12th May, 2007 to 11th May, 2011	8,000,000
12th May, 2008 to 11th May, 2011	4,000,000
12th May, 2009 to 11th May, 2011	4,000,000
12th May, 2010 to 11th May, 2011	4,000,000

(j) The interests in 2,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
25th July, 2007 to 24th July, 2011	800,000
25th July, 2008 to 24th July, 2011	400,000
25th July, 2009 to 24th July, 2011	400,000
25th July, 2010 to 24th July, 2011	400,000

(k) The interests in 1,500,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,500,000 new ordinary shares of RHIHL at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
25th July, 2007 to 24th July, 2011	600,000
25th July, 2008 to 24th July, 2011	300,000
25th July, 2009 to 24th July, 2011	300,000
25th July, 2010 to 24th July, 2011	300,000

(l) (i) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(ii) The interests in 3,000,000 unissued ordinary shares of RHIHL were held through the interests in the options granted under the Regal Share Option Scheme, entitling the holder thereof to subscribe for a total of 3,000,000 new ordinary shares of RHIHL at an adjusted exercise price of HK$7.50 per ordinary share (subject to adjustment). The options have, and will, become vested in stages, commencing with 40% of options granted from two years after the offer date of 25th July, 2005 and thereafter a further 20% of options granted for each subsequent year, and are, and will be, exercisable as follows:

Exercise period	Number of ordinary shares of RHIHL under vested options
25th July, 2007 to 24th July, 2011	1,200,000
25th July, 2008 to 24th July, 2011	600,000
25th July, 2009 to 24th July, 2011	600,000
25th July, 2010 to 24th July, 2011	600,000

(m) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 51.86% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2008, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code in the Listing Rules to be notified to the Company and the Stock Exchange.

During the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company under the Paliburg Share Option Scheme and no option granted to such persons under the Paliburg Share Option Scheme has been cancelled and lapsed:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Paliburg Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2008, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at 31st December, 2008
CCIHL (Note i)	585,654,624	59,465,921	645,120,545	63.29%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	585,654,624	59,465,921	645,120,545	63.29%
Almighty International Limited ("Almighty") (Note ii)	268,150,960	29,839,566	297,990,526	29.23%
Cleverview Investments Limited ("Cleverview") (Note ii)	162,118,837	18,692,632	180,811,469	17.74%

Notes:

(i) Mr. Lo Yuk Sui directly and indirectly held 51.86% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2008, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.

(2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$0.7 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 16 to the financial statements.

PROPERTY HELD FOR FUTURE DEVELOPMENT

The details of movements in property held for future development during the year are set out in note 17 to the financial statements.

BORROWINGS

The details of the Group's borrowings at the balance sheet date are set out in note 27 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 29 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 29 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 31 to the financial statements.

ASSOCIATES

Particulars of the Group's interests in its associates are set out in note 18 to the financial statements.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) and the consolidated statement of changes in equity of the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2008, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK$2,285.5 million, of which HK$20.4 million has been proposed as final dividend for the year.

The Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest expense was capitalised during the year in respect of the Group's property development projects.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 39 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
31st March, 2009

Corporate Governance Report

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. As enhancement to the current standards and for complying with new requirements, revision of existing policies and practices and introduction of appropriate new measures have been implemented. Constant review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2008, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.

(2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Further details relating to the compliance of the CG Code by the Company are set out in the report below.

(I) CORPORATE GOVERNANCE PRACTICES

A report on the extent of compliance by the Company of and any deviation from the provisions of the CG Code (as summarised below) during the year ended 31st December, 2008 is as follows:

A. DIRECTORS

A.1 The Board

Code A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

Deviation from Code A.1.1

No Four Board Meetings have been held at regular intervals during the year ended 31st December, 2008.

Code A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

Deviation from Code A.1.2

No Directors may include matters in the agenda for regular Board Meetings as other business of the meeting any time after receiving the notice of meeting or at the meeting after all businesses in the agenda have been transacted.

Code A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

Deviation from Code A.1.3

No At least 14 days' notice is given to the Directors for regular Board Meetings and reasonable notice is given for other ad hoc Board Meetings, in accordance with relevant provisions of the Bye-laws of the Company. Arrangements will be made for any Director who cannot present in person to participate in and discuss with the other Directors at the meeting through appropriate means of communication.

Code A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Deviation from Code A.1.4

No The Executive Director who is in charge of the company secretarial function of the Group is in close liaison with the Company Secretary of the Company to ensure that board procedures, and all applicable rules and regulations, are followed. All other Directors may make enquiry to the Company Secretary any time they consider necessary or appropriate for such purposes.

Code A.1.5 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and such minutes should be open for inspection at any reasonable time on reasonable notice by any director.

Deviation from Code A.1.5

No Minutes of Board Meetings and Meetings of Board Committees are kept by the Company Secretary of the Company and the appointed secretary of the Board Committees and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Code A.1.6 *Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.*

Deviation from Code A.1.6

No Minutes of Board Meetings and Meetings of Board Committees have recorded relevant details of the transactions or matters considered by the Directors at the meetings, rationales for making the decisions and the resolutions resolved at the meetings. Board Resolutions are circulated to the Directors for review and signing within a reasonable time.

Code A.1.7 *There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer.*

Deviation from Code A.1.7

No In the event that independent professional advice is required or considered necessary for the Directors to make decisions on any transactions or matters concerning the Group, any Director may after consulting the Chairman of the Board, or the Directors may resolve at the Board Meeting held for considering the relevant transaction or matter to, seek independent professional advice at the expense of the Company.

Code A.1.8 *If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.*

Deviation from Code A.1.8

No An ad hoc full Board Meeting will be convened for considering and approving any matter which the Board has determined to be material and in which any substantial shareholder or Director of the Company has a conflict of interest. The Board Meeting will be scheduled for an appropriate time that the disinterested Independent Non-Executive Directors shall be able to attend. Any substantial shareholder or Director who has a conflict of interest and any of his/her associates will abstain from voting at the Meeting and not be counted as quorum of the Meeting in accordance with the Bye-laws of the Company.

A.2 Chairman and Chief Executive Officer

Code A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Deviation from Code A.2.1

Yes Due to practical necessity on account of the Group's corporate operating structure, the roles of the Chairman and Chief Executive Officer are both performed by Mr. Lo Yuk Sui who is the controlling shareholder and the Chairman and Chief Executive Officer of the Company overseeing the overall policy and decision making of the Group. A Chief Operating Officer has been appointed to take up responsibility for overseeing the business operations of the Group.

Code A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

Deviation from Code A.2.2

No The Chairman takes the role of briefing the Directors issues arising at the Board Meetings or, in appropriate circumstance, delegates this role to Executive Directors who are primarily involved in and in possession of comprehensive details about the relevant issue.

Code A.2.3 The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

Deviation from Code A.2.3

No The Chairman takes active efforts to ensure that the Executive Directors or executives who are primarily involved in the relevant transaction or matter will provide to Directors adequate information, which is complete and reliable, in a timely manner.

A.3 Board composition

Code A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.

Deviation from Code A.3.1

No Identification of the Independent Non-Executive Directors has been shown on announcements and other corporate communications of the Company to its shareholders/warrantholders.

A.4 Appointments, re-election and removal

Code A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation from Code A.4.1

Yes The Independent Non-Executive Directors of the Company were not appointed for specific terms. However, arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

Code A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation from Code A.4.2

No Pursuant to relevant provisions of the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his/her appointment. In compliance with the requirements under this CG Code, all Directors would retire at annual general meetings at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on a voluntary basis. At the annual general meeting of the Company held on 5th June, 2008, a Director, who was appointed in February 2008 and held office until that meeting, and two Directors, who had been in office for three years, all retired and were re-elected at that meeting.

A.5 Responsibilities of directors

Code A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.

Deviation from Code A.5.1

No The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary.

Code A.5.2 The functions of non-executive directors should include but should not be limited to the following:

(a) participating in board meetings of the issuer to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the audit, remuneration, nomination and other governance committees, if invited; and

(d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Deviation from Code A.5.2

No The Independent Non-Executive Directors perform the functions as set out in this CG Code.

Code A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot do so.

Deviation from Code A.5.3

No Every Director contributes sufficient time and attention to the affairs of the Company and the Group as appropriate for the roles undertaken.

Code A.5.4 Directors must comply with their obligations under the Code of Conduct for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules and, in addition, the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees (as defined in the CG Code) in respect of their dealings in the securities of the issuer.

Deviation from Code A.5.4

No The Directors have confirmed that they have complied with the required standard under the Model Code and the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code") adopted by the Company, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors during the year ended 31st December, 2008.

The Board has also adopted the "Guidelines for Securities Transactions by Relevant Employees Directors of Paliburg Holdings Limited" (the "Paliburg Guidelines"), on terms no less exacting than the required standard set out in the Model Code, in respect of their dealings in the securities of the Company.

The Paliburg Code and the Paliburg Guidelines are available on the website of the Company.

A.6 Supply of and access to information

Code A.6.1 In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed).

Deviation from Code A.6.1

No Agenda and relevant board papers for Board Meetings and Board Committee Meetings have been timely sent to all Directors at least 3 days before the intended date of the Meetings (or such other period as agreed).

Code A.6.2 Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable.

Deviation from Code A.6.2

No Any Director may require information in addition to those provided by management and make further enquiries where necessary. Each Director has separate and independent access to the Company's senior management.

Code A.6.3 All directors are entitled to have access to board papers and related materials. Such papers and related materials should be prepared in such form and quality as will enable the board to make an informed decision on matters placed before it. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.

Deviation from Code A.6.3

No All relevant board papers and related materials are sent to all Directors ahead of time for the Meetings, with an aim to enabling the Board to make informed decisions on matters placed before it. In the event of queries raised by Directors, the Executive Directors and management are obligated to ensure that the requisite information or materials will be provided to the Directors soonest possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Code B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

Deviation from Code B.1.1

No The Company has established a Remuneration Committee comprising Mr. LO Yuk Sui, the Chairman and Chief Executive Officer of the Company, as Chairman of the Committee, and Mr. NG Siu Chan and Mr. WONG Chi Keung, both Independent Non-Executive Directors, as members, with written terms of reference which deal clearly with the authority and duties of the Committee.

Code B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

Deviation from Code B.1.2

No The proposals relating to the remuneration of other Executive Directors are formulated by consultation amongst the members of the Remuneration Committee which is presided by the Chairman and Chief Executive Officer of the Company. Professional advice in such respect is sought if considered necessary.

Code B.1.3 The terms of reference of the remuneration committee should include, as a minimum, the specific duties as set out in the CG Code.

Deviation from Code B.1.3

No The terms of reference of the Remuneration Committee are set up with reference to the requirements under the CG Code.

Code B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code B.1.4

No The terms of reference of the Remuneration Committee are available on the website of the Company.

Code B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.

Deviation from Code B.1.5

No The Remuneration Committee has been and will be provided with sufficient resources to discharge its duties.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Code C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.

Deviation from Code C.1.1

No The Executive Director and other executives of the Group who are in charge of the financial reporting function have provided detailed explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

Code C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the Independent Auditors' Report on the financial statements.

Deviation from Code C.1.2.

No Relevant acknowledgement by the Directors of their responsibility in preparing financial statements of the Group is stated in this Corporate Governance Report.

In the Independent Auditors' Report contained in this Annual Report, the Auditors state their reporting responsibilities on the financial statements of the Group.

Code C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Deviation from Code C.1.3

No The Board uses all reasonable endeavours to ensure that a balanced, clear and understandable assessment is presented in all reports, announcements or other disclosures as required to be made by the Company under the Listing Rules and other applicable statutes and regulations.

C.2 Internal controls

Code C.2.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

Deviation from Code C.2.1

No The Directors have conducted an annual review of the effectiveness of the system of internal control of the Group covering all material controls, including financial, operational and compliance controls and risk management functions. Proposals on further enhancement of the system of internal control of the Group, if required or necessary, are being implemented from time to time.

Code C.2.2 *The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.*

Deviation from Code C.2.2

No As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

C.3 Audit Committee

Code C.3.1 *Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.*

Deviation from Code C.3.1

No Minutes of the Audit Committee Meetings of the Company are kept by the Company Secretary who is the appointed secretary of the Audit Committee, after finalisation with the members of the Audit Committee within a reasonable time after the Meetings.

Code C.3.2 *A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for a period of 1 year commencing on the date of his ceasing:*

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm, whichever is the later.

Deviation from Code C.3.2

No None of the members of the Audit Committee is a former partner of the Company's existing Auditors.

Code C.3.3 *The terms of reference of the audit committee should include at least the duties as specified in the CG Code.*

Deviation from Code C.3.3

No The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants, with terms of reference, explaining its role and the authority delegated to it by the Board.

Code C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

Deviation from Code C.3.4

No The terms of reference of the Audit Committee explaining its role and the authority delegated to it by the Board are available on the website of the Company.

Code C.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.

Deviation from Code C.3.5

No There has not been any disagreement between the Audit Committee and the Board on the selection and appointment of the external Auditors of the Company.

Code C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.

Deviation from Code C.3.6

No The Company ensures that sufficient resources will be provided to the Audit Committee for discharging its duties.

D. DELEGATION BY THE BOARD

D.1 Management functions

Code D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the issuer.

Deviation from Code D.1.1

No All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole.

Code D.1.2 *An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.*

Deviation from Code D.1.2

No The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company.

D.2 Board Committees

Code D.2.1 *Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.*

Deviation from Code D.2.1

No The Audit Committee and the Remuneration Committee are established with sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Code D.2.2 *The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).*

Deviation from Code D.2.2

No The respective terms of reference of Audit Committee and the Remuneration Committee require such committees to report back to the Board on their decisions or recommendations.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Code E.1.1 *In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.*

Deviation from Code E.1.1

No Separate Resolution on each substantially separate issue was proposed by the Chairman of Meeting at the Annual General Meeting of the Company held in 2008. Proposed election of Directors of the Company were put to vote by a separate Resolution for each nominated Director.

Code E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Deviation from Code E.1.2

No The Chairman of the Board and the Chairman and two Members of the Audit Committee had attended the Annual General Meeting of the Company held in 2008. Questions were raised by certain shareholders at the Meeting concerning the Group's business affairs, which were responded to by the Chairman of the Board.

At any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, the chairman of the independent board committee (if any) would be available to answer questions at that meeting.

Code E.1.3 The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

Deviation from Code E.1.3

No Notice of more than 20 clear business days for convening the Annual General Meeting of the Company held in 2008 was sent to the shareholders of the Company. In addition, notice of more than 10 clear business days for convening the Special General Meeting of the Company held in 2008 was sent to the shareholders of the Company.

E.2 Voting by Poll

Code E.2.1 *The chairman of a meeting should ensure disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in Rule 13.39(4) of the Listing Rules. In particular, pursuant to Rule 13.39(3), the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.*

Deviation from Code E.2.1

No Relevant details of the provisions of the Bye-laws relating to the procedures for and the rights of shareholders to demand a poll have been set out in each circular of the Company containing the notice convening the Annual General Meeting and the Special General Meeting of the Company held in 2008.

There had not been situation at the Annual General Meeting and the Special General Meeting of the Company where, on a show of hands, votes were cast in the opposite manner to that as instructed in the proxies as would require the Chairman to demand a poll.

Code E.2.2 *The issuer should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The issuer should ensure that votes cast are properly counted and recorded.*

Deviation from Code E.2.2

No At the Annual General Meeting and the Special General Meeting of the Company held during the year of 2008, the Chairman of Meeting had indicated to the Meeting by display at the forum the level of proxies lodged on each Resolution put to the Meeting and the balance for and against the Resolution, after the Resolution has been dealt with on a show of hands and before he declared the results of voting.

Code E.2.3 The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

(a) the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and

(b) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

Deviation from Code E.2.3

No The Chairman of the Annual General Meeting and the Special General Meeting of the Company held during the year of 2008 had at the commencement of the Meeting referred the shareholders to the procedures for demanding a poll by shareholders as detailed in the related circular of the Company to its shareholders. The Chairman also informed the meeting that if a poll was validly demanded and before the poll taking was to be conducted, the Chairman would explain to the shareholders detailed procedures for conducting a poll and he would answer any relevant questions from shareholders.

(II) DIRECTORS' SECURITIES TRANSACTIONS

As reported in the preceding section headed "Corporate Governance Practices", the Company has adopted the Paliburg Code, on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Paliburg Code during the year ended 31st December, 2008.

(III) BOARD OF DIRECTORS

The Board of Directors of the Company currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Donald Fan Tung *(Chief Operating Officer)*
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Kenneth Wong Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph Leung Po Wing, GBS, JP *(appointed on 13th February, 2008)*
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, SBS, JP
Mr. Wong Chi Keung

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31st December, 2008, the Company has fully complied with Rules 3.10(1) and (2) of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made, as appropriate, a confirmation or an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

In the year of 2008, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	4/4
Mr. Donald Fan Tung *(Chief Operating Officer)*	4/4
Mr. Jimmy Lo Chun To	4/4
Miss Lo Po Man	4/4
Mr. Kenneth Ng Kwai Kai	4/4
Mr. Kenneth Wong Po Man	4/4
Independent Non-Executive Directors	
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(appointed on 13th February, 2008)*	2/4
Mr. Ng Siu Chan	4/4
Hon Abraham Shek Lai Him, SBS, JP	3/4
Mr. Wong Chi Keung	4/4

(IV) NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board is responsible for the procedure of selecting and appointing Directors.

Those Directors appointed by the Board during the year shall hold office until the next annual general meeting and, being eligible, may offer for re-election.

(V) AUDIT COMMITTEE

The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. Wong Chi Keung *(Chairman of the Committee)*
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Member)*
(appointed on 13th February, 2008)
Mr. Ng Siu Chan *(Member)*
Hon Abraham Shek Lai Him, SBS, JP *(Member)*

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In the year of 2008, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Wong Chi Keung *(Chairman of the Committee)*	2/2
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(appointed on 13th February, 2008)*	2/2
Mr. Ng Siu Chan	2/2
Hon Abraham Shek Lai Him, SBS, JP	2/2

(VI) REMUNERATION COMMITTEE

The Company has formed the Remuneration Committee with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the Company's website. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. LO Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Mr. NG Siu Chan *(Member)*
Mr. WONG Chi Keung *(Member)*

Mr. Kenneth NG Kwai Kai, an Executive Director of the Company, has been appointed to act as the Secretary of the Committee.

In the year of 2008, the Remuneration Committee met once. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Mr. Ng Siu Chan	1/1
Mr. Wong Chi Keung	1/1

(VII) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensure that appropriate accounting policies are selected and applied consistently and the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors also ensure the financial statements are published in a timely manner.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(VIII) INTERNAL CONTROL

The Board has conducted a review of effectiveness of the system of internal controls of the Group during the year of 2008, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving a sound internal control system. Separate meetings participated by Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the internal control system, to identify any significant control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the internal control mechanisms is mainly conducted by delegated Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(IX) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2008 Annual General Meeting until the conclusion of the forthcoming 2009 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2008 were HK$1.4 million (2007 - HK$1.3 million) and HK$0.3 million (2007 - HK$0.5 million), respectively.

Consolidated Income Statement

For the year ended 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
REVENUE	5	**280.0**	334.5
Cost of sales		**(258.0)**	(258.3)
Gross profit		**22.0**	76.2
Other income and gains	5	**16.5**	33.9
Fair value gains/(losses) on investment properties		**(22.0)**	30.0
Fair value gains/(losses) on financial assets at fair value through profit or loss		**(76.9)**	126.6
Administrative expenses		**(31.8)**	(30.7)
Other operating expenses	6	**(3.5)**	(78.4)
OPERATING PROFIT/(LOSS)		**(95.7)**	157.6
Finance costs	8	**(5.0)**	(20.4)
Share of profits and losses of associates		**(371.4)**	1,280.0
PROFIT/(LOSS) BEFORE TAX	7	**(472.1)**	1,417.2
Tax	11	**3.3**	(3.4)
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS		**(468.8)**	1,413.8
Attributable to:			
Equity holders of the parent	12	**(468.8)**	1,413.8
Minority interests		**–**	–
		(468.8)	1,413.8
DIVIDENDS	13		
Interim		**18.3**	13.6
Proposed final		**20.4**	40.8
		38.7	54.4
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		(Restated)
Basic		**HK$(0.46)**	HK$1.67
Diluted		**N/A**	HK$1.55

Consolidated Balance Sheet

As at 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1.9**	3.0
Investment properties	16	**358.3**	380.3
Interests in associates	18	**4,136.8**	4,550.0
Available-for-sale investments	19	**3.2**	10.0
Financial assets at fair value through profit or loss	21	**211.3**	308.5
Loans receivable	20	**6.5**	9.7
Total non-current assets		**4,718.0**	5,261.5
CURRENT ASSETS			
Financial assets at fair value through profit or loss	21	**121.0**	0.3
Properties held for sale		**6.0**	6.0
Inventories	22	**10.0**	3.7
Debtors, deposits and prepayments	23, 26	**79.7**	75.7
Time deposits		**186.0**	330.2
Cash and bank balances		**92.0**	71.7
		494.7	487.6
Asset of a disposal group classified as held for sale	24	**249.4**	249.4
Total current assets		**744.1**	737.0
CURRENT LIABILITIES			
Creditors and accruals	25, 26	**(100.9)**	(93.5)
Tax payable		**(3.7)**	(4.0)
Interest bearing bank borrowings	27	**–**	(197.0)
Deposits received	24	**(221.3)**	(221.3)
		(325.9)	(515.8)
Liability directly associated with the asset of a disposal group classified as held for sale	24	**(98.9)**	(98.9)
Total current liabilities		**(424.8)**	(614.7)
NET CURRENT ASSETS		**319.3**	122.3
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,037.3**	5,383.8

	Notes	2008 HK$'million	2007 HK$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,037.3**	5,383.8
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	27	**(214.6)**	(50.0)
Deferred tax liabilities	28	**(6.9)**	(11.0)
Total non-current liabilities		**(221.5)**	(61.0)
Net assets		**4,815.8**	5,322.8
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	29	**101.9**	101.9
Reserves	30(a)	**4,693.3**	5,179.9
Proposed final dividend	13	**20.4**	40.8
		4,815.6	5,322.6
Minority interests		**0.2**	0.2
Total equity		**4,815.8**	5,322.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2008

	Notes	Issued capital	Share premium account	Equity component of convertible bonds of the listed associate	Share option reserve	Special reserve	Assets revaluation reserve	Available for-sale investments revaluation reserve	Hedge reserve	Exchange equalisation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
		Attributable to equity holders of the parent													
		HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
At 1st January, 2007		72.1	522.1	6.1	14.0	689.6	693.8	16.8	-	14.8	1,219.8	21.6	3,270.7	0.2	3,270.9
Changes in fair value of available-for-sale investments		-	-	-	-	-	-	(0.9)	-	-	-	-	(0.9)	-	(0.9)
Exchange realignment		-	-	-	-	-	-	-	-	38.0	-	-	38.0	-	38.0
Share of the listed associate		-	-	-	-	-	-	-	(7.9)	17.3	-	-	9.4	-	9.4
Total income and expense recognised directly in equity		-	-	-	-	-	-	(0.9)	(7.9)	55.3	-	-	46.5	-	46.5
Profit for the year		-	-	-	-	-	-	-	-	-	1,413.8	-	1,413.8	-	1,413.8
Total income and expense for the year		-	-	-	-	-	-	(0.9)	(7.9)	55.3	1,413.8	-	1,460.3	-	1,460.3
Issue of new shares in settlement of the Share Swap	29(i)	3.4	122.6	-	-	-	-	-	-	-	-	-	126.0	-	126.0
Issue of new shares under the Open Offer	29(ii)	26.4	528.2	-	-	-	-	-	-	-	-	-	554.6	-	554.6
Issue of new shares upon exercise of share options	29(iii)	-	0.1	-	-	-	-	-	-	-	-	-	0.1	-	0.1
Issue of new shares upon exercise of warrants	29(iv)	-	0.3	-	-	-	-	-	-	-	-	-	0.3	-	0.3
Share issue expenses		-	(1.0)	-	-	-	-	-	-	-	-	-	(1.0)	-	(1.0)
Release on deemed disposal of interests in the listed associate		-	-	(1.7)	(0.5)	-	(30.2)	-	-	(0.3)	-	-	(32.7)	-	(32.7)
Release on exercise of warrants in the listed associate		-	-	-	-	-	-	(23.8)	-	-	-	-	(23.8)	-	(23.8)
Final 2006 dividend declared		-	-	-	-	-	-	-	-	-	-	(21.6)	(21.6)	-	(21.6)
Equity-settled share option arrangements		-	-	-	2.4	-	-	-	-	-	-	-	2.4	-	2.4
Share of the listed associate		-	-	(4.4)	5.3	-	-	-	-	-	-	-	0.9	-	0.9
Interim 2007 dividend	13	-	-	-	-	-	-	-	-	-	(13.6)	-	(13.6)	-	(13.6)
Proposed final 2007 dividend	13	-	-	-	-	-	-	-	-	-	(40.8)	40.8	-	-	-
At 31st December, 2007		101.9	1,172.3	-	21.2	689.6	663.6	(7.9)	(7.9)	69.8	2,579.2	40.8	5,322.6	0.2	5,322.8

	Notes	Issued capital HK$'m	Share premium account HK$'m	Share option reserve HK$'m	Special reserve HK$'m	Assets revaluation reserve HK$'m	Available for-sale investments revaluation reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Minority interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent												
At 1st January, 2008		101.9	1,172.3	21.2	689.6	663.6	(7.9)	(7.9)	69.8	2,579.2	40.8	5,322.6	0.2	5,322.8
Changes in fair value of available-for-sale investments		–	–	–	–	–	(0.8)	–	–	–	–	(0.8)	–	(0.8)
Exchange realignment		–	–	–	–	–	–	–	39.7	–	–	39.7	–	39.7
Share of the listed associate		–	–	–	–	–	(0.3)	(51.2)	19.0	–	–	(32.5)	–	(32.5)
Total income and expense recognised directly in equity		–	–	–	–	–	(1.1)	(51.2)	58.7	–	–	6.4	–	6.4
Loss for the year		–	–	–	–	–	–	–	–	(468.8)	–	(468.8)	–	(468.8)
Total income and expense for the year		–	–	–	–	–	(1.1)	(51.2)	58.7	(468.8)	–	(462.4)	–	(462.4)
Issue of new shares upon exercise of warrants	29(v)	–	1.3	–	–	–	–	–	–	–	–	1.3	–	1.3
Release on redemption		–	–	–	–	–	7.9	–	–	–	–	7.9	–	7.9
Final 2007 dividend declared		–	–	–	–	–	–	–	–	–	(40.8)	(40.8)	–	(40.8)
Equity-settled share option arrangements		–	–	1.4	–	–	–	–	–	–	–	1.4	–	1.4
Share of the listed associate		–	–	3.9	–	–	–	–	–	–	–	3.9	–	3.9
Interim 2008 dividend	13	–	–	–	–	–	–	–	–	(18.3)	–	(18.3)	–	(18.3)
Proposed final 2008 dividend	13	–	–	–	–	–	–	–	–	(20.4)	20.4	–	–	–
At 31st December, 2008		101.9	1,173.6	26.5	689.6	663.6	(1.1)	(59.1)	128.5	2,071.7	20.4	4,815.6	0.2	4,815.8

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
Net cash inflow/(outflow) from operating activities	32(a)	**(17.1)**	32.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional interests in the listed associate		**(4.8)**	(107.6)
Disposal of subsidiaries	32(d)	**–**	50.0
Purchases of available-for-sale investments		**(11.7)**	–
Purchases of financial assets at fair value through profit or loss		**(129.7)**	–
Proceeds from disposal of available-for-sale investments		**34.4**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**31.8**	–
Decrease in loans receivable		**3.3**	5.1
Purchases of items of property, plant and equipment		**(0.3)**	(0.9)
Advance to associates		**(7.9)**	(11.8)
Interest received		**5.9**	10.0
Dividends received from listed and unlisted investments		**63.7**	91.0
Net cash inflow/(outflow) from investing activities		**(15.3)**	35.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	554.6
Proceeds from exercise of warrants		**1.3**	0.3
Proceeds from exercise of share options		**–**	0.1
Share issue expenses		**–**	(1.0)
Drawdown of new loans		**23.0**	–
Repayments of bank loans and other loans		**(55.4)**	(11.7)
Repayments of promissory notes		**–**	(300.0)
Payment of loan costs		**(0.3)**	–
Interest paid		**(4.8)**	(20.4)
Dividend paid		**(59.1)**	(35.2)
Net cash inflow/(outflow) from financing activities		**(95.3)**	186.7
Net increase/(decrease) in cash and cash equivalents		**(127.7)**	254.8
Cash and cash equivalents at beginning of year		**401.9**	146.3
Effect of foreign exchange rate changes, net		**3.8**	0.8
Cash and cash equivalents at end of year		**278.0**	401.9
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**92.0**	71.7
Non-pledged time deposits with original maturity of less than three months when acquired		**186.0**	330.2
		278.0	401.9

Balance Sheet

As at 31st December, 2008

	Notes	2008 HK$'million	2007 HK$'million
NON-CURRENT ASSETS			
Interests in subsidiaries	31	**3,571.1**	3,631.3
CURRENT ASSETS			
Deposits and prepayments		**0.3**	0.9
CURRENT LIABILITIES			
Creditors and accruals		**(2.0)**	(2.4)
NET CURRENT LIABILITIES		**(1.7)**	(1.5)
Net assets		**3,569.4**	3,629.8
EQUITY			
Issued capital	29	**101.9**	101.9
Reserves	30(b)	**3,447.1**	3,487.1
Proposed final dividend	13	**20.4**	40.8
Total equity		**3,569.4**	3,629.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in property development and investment, construction and building related businesses, and other investments.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which is incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4(g). These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

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

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

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

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

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st July, 2008
4 Effective for annual periods beginning on or after 1st October, 2008
5 Effective for annual periods ending on or after 30th June, 2009

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Goodwill

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

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

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

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

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

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

(b) Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

(c) Subsidiaries

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

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

Upon the disposal of interests in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

(d) Associates

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

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's interests in associates.

Where the Group's equity interest in an associate is diluted by virtue of the additional issue of shares by such associate (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's consolidated income statement.

(e) Impairment of non-financial assets other than goodwill

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

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

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

(f) Investment properties

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

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

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

(g) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

(h) Property held for future development

Property held for future development is stated at cost less any impairment losses. Cost includes all costs attributable to the acquisition and holding of such property, including any related finance charges.

(i) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest is capitalised at the Group's weighted average interest rate on external borrowings and, where applicable, at the interest rates related to specific development project borrowings.

(j) Investments and other financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

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

(k) Impairment of financial assets

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

Assets carried at amortised cost

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

Assets carried at cost

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

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

(l) Derecognition of financial assets

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

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

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

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

(m) Financial liabilities at amortised cost (including interest bearing bank borrowings)

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

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

(n) Convertible bonds

The component of convertible bonds of an associate that exhibits characteristics of a liability is recognised as a liability in the balance sheet of the associate, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity of the associate, net of transaction costs, and the Group's attributable share thereof is included in its shareholders' equity. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(o) Derecognition of financial liabilities

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

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

(p) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(q) Property, plant and equipment and depreciation

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

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

Leasehold properties	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%

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

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

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

(r) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to completion and disposal.

(s) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has completed not less than 50% based on the percentage of completion method. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(t) 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:

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

(ii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;

(iii) fee income on short term construction contracts, on completion of the construction work;

(iv) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(s) above;

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

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

(vii) gain/loss from sale of listed investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged; and

(viii) consultancy and management fees, in the period in which such services are rendered.

(u) Foreign currencies

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

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

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

(v) Income tax

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

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

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

(w) Operating leases

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

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

(x) Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7th November, 2002 that had not vested by 1st January, 2005 and to those granted on or after 1st January, 2005.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

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

(y) Related parties

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

(i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly controlled entity;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

(z) Cash and cash equivalents

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

(aa) Dividends

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the balance sheet, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

(a) Judgement

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

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

(b) 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.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill included in interests in associates at 31st December, 2008 was HK$289.2 million (2007 - HK$284.3 million). More details are given in note 18 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of tax losses arising in Hong Kong and the United States of America at 31st December, 2008 were HK$781.5 million (2007 - HK$760.1 million) and HK$212.8 million (2007 - HK$212.9 million), respectively, for which no deferred tax assets have been recognised. Further details are contained in note 28 to the financial statements.

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. During the year, the outcome of a number of construction contracts was revised, thus leading to a gross construction profit of HK$6.2 million (2007 - HK$7.6 million) being recognised in the income statement.

Measurement of fair value of equity-settled transactions

The Company operates a share option scheme under which employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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

(a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

(c) the hotel ownership/operation* and management segment engages in hotel operations and the provision of hotel management services;

(d) the securities investment segment engages in securities trading and investment businesses; and

(e) the others segment mainly comprises the provision of financing services.

* The listed associate of the Company, Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries (the "RHIHL Group") owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal Real Estate Investment Trust ("Regal REIT") for a separate listing on 30th March, 2007 and thereafter the RHIHL Group leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of RHIHL.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

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

GROUP

	Property development and investment 2008 HK$'m	Property development and investment 2007 HK$'m	Construction and building related businesses 2008 HK$'m	Construction and building related businesses 2007 HK$'m	Hotel ownership/ operation and management 2008 HK$'m	Hotel ownership/ operation and management 2007 HK$'m	Securities investment 2008 HK$'m	Securities investment 2007 HK$'m	Others 2008 HK$'m	Others 2007 HK$'m	Eliminations 2008 HK$'m	Eliminations 2007 HK$'m	Consolidated 2008 HK$'m	Consolidated 2007 HK$'m
Segment revenue:														
Sales to external customers	17.1	85.5	263.0	249.5	–	–	(0.1)	(0.5)	–	–	–	–	280.0	334.5
Intersegment sales	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**17.1**	**85.5**	**263.0**	**249.5**	**–**	**–**	**(0.1)**	**(0.5)**	**–**	**–**	**–**	**–**	**280.0**	**334.5**
Segment results	(9.6)	100.9	6.1	25.9	–	–	(67.6)	126.1	1.5	1.5	–	–	(69.6)	254.4
Interest income and unallocated non-operating and corporate gains													3.3	9.2
Unallocated non-operating and corporate expenses													(29.4)	(106.0)
Operating profit/(loss)													**(95.7)**	**157.6**
Finance costs													**(5.0)**	**(20.4)**
Share of profits and losses of associates	(11.9)	(56.0)	–	(0.3)	(359.5)	1,336.3	–	–	–	–	–	–	**(371.4)**	**1,280.0**
Profit/(Loss) before tax													**(472.1)**	**1,417.2**
Tax													**3.3**	**(3.4)**
Profit/(Loss) for the year before allocation between equity holders of the parent and minority interests													**(468.8)**	**1,413.8**
Attributable to:														
Equity holders of the parent													**(468.8)**	**1,413.8**
Minority interests													**–**	**–**
													(468.8)	**1,413.8**

Business segments (continued)

GROUP

	Property development and investment 2008 HK$'m	Property development and investment 2007 HK$'m	Construction and building related businesses 2008 HK$'m	Construction and building related businesses 2007 HK$'m	Hotel ownership/ operation and management 2008 HK$'m	Hotel ownership/ operation and management 2007 HK$'m	Securities investment 2008 HK$'m	Securities investment 2007 HK$'m	Others 2008 HK$'m	Others 2007 HK$'m	Eliminations 2008 HK$'m	Eliminations 2007 HK$'m	Consolidated 2008 HK$'m	Consolidated 2007 HK$'m
Segment assets	366.8	389.4	83.3	68.8	–	–	335.5	310.3	7.1	10.6	–	–	792.7	779.1
Interests in associates	643.1	613.6	–	–	3,493.7	3,936.4	–	–	–	–	–	–	4,136.8	4,550.0
Asset of a disposal group classified as held for sale	249.4	249.4	–	–	–	–	–	–	–	–	–	–	249.4	249.4
Cash and unallocated assets													283.2	420.0
Total assets													5,462.1	5,998.5
Segment liabilities	(7.0)	(4.9)	(91.7)	(85.1)	–	–	–	–	–	–	–	–	(98.7)	(90.0)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	–	–	–	–	–	–	–	–	–	–	(98.9)	(98.9)
Bank borrowings and unallocated liabilities													(448.7)	(486.8)
Total liabilities													(646.3)	(675.7)
Other segment information:														
Depreciation	–	–	0.5	0.5	–	–	–	–	–	–				
Capital expenditure	–	–	0.3	0.9	–	–	–	–	–	–				
Other non-cash expenses	–	0.2	–	–	–	–	–	–	–	–				

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Revenue		
Rental income:		
Investment properties	**15.6**	14.1
Properties held for sale	**0.4**	0.4
Construction and construction-related income	**253.8**	237.2
Proceeds from sale of properties	**–**	70.0
Estate management fees	**3.4**	3.4
Property development consultancy and project management fees	**5.8**	8.9
Loss from sale of listed investments at fair value through profit or loss, net*	**(0.1)**	(0.5)
Other operations including estate agency service	**1.1**	1.0
	280.0	334.5
Other income and gains		
Interest income from:		
Bank balances	**2.8**	5.1
Loans receivable	**1.7**	3.0
Others	**1.0**	–
Dividend income from:		
Listed investments	**1.8**	1.3
Unlisted investments	**–**	0.2
Gain on redemption of available-for-sale investments	**9.0**	–
Gain on disposal of subsidiaries (note 32(d))	**–**	23.2
Others	**0.2**	1.1
	16.5	33.9

* In prior years, the Group's proceeds from sale of listed investments at fair value through profit or loss was presented under "Revenue" with the corresponding cost of sales included under "Cost of sales". During the current year, the Group has changed the presentation, as in the opinion of the Directors, it is more appropriate to include the gain/loss from sale of listed investments at fair value through profit or loss in the "Revenue" only. To conform with the current year's presentation, the revenue and cost of sales in the prior year were decreased by the same amount of HK$19.2 million with the gross profit remaining the same.

6. OTHER OPERATING EXPENSES

Other operating expenses include the following items:

	GROUP	
	2008 HK$'million	2007 HK$'million
Loss on deemed disposal of interests in the listed associate	–	76.8
Loss on disposal of financial assets at fair value through profit or loss	2.2	–

7. PROFIT/(LOSS) BEFORE TAX

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

	GROUP	
	2008 HK$'million	2007 HK$'million
Cost of completed properties sold	–	32.7
Cost of inventories sold and services provided	18.8	24.0
Depreciation	1.4	1.5
Less: Depreciation capitalised in respect of construction contracts	(0.2)	(0.1)
	1.2	1.4
Employee benefits expenses* (inclusive of Directors' remuneration disclosed in note 9):		
Salaries, wages and benefits	47.3	41.5
Equity-settled share option expense	1.4	2.4
Staff retirement scheme contributions	2.6	2.2
	51.3	46.1
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(30.0)	(27.9)
Staff retirement scheme contributions	(1.5)	(1.3)
	19.8	16.9

* Inclusive of an amount of HK$5.5 million (2007 - HK$2.8 million) classified under cost of inventories sold and services provided.

	GROUP	
	2008 HK$'million	2007 HK$'million
Fair value gains/(losses) on financial assets at fair value through profit or loss		
- held for trading	**(3.5)**	0.1
- designated as such upon initial recognition	**(73.4)**	126.5
	(76.9)	126.6
Auditors' remuneration	**1.4**	1.3
Write-off of items of property, plant and equipment	**–**	0.4
Impairment of debtors	**–**	0.2
Minimum lease payments under operating leases:		
Land and buildings	**2.3**	2.3
Plant and machinery	**2.8**	2.4
	5.1	4.7
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	**(0.5)**	(0.5)
Plant and machinery	**(2.8)**	(2.4)
	1.8	1.8
and after crediting:		
Release of unrealised profit upon disposal of subsidiaries by the listed associate	**–**	21.5
Gross rental income	**16.0**	14.5
Less: Outgoings	**(3.0)**	(2.8)
Net rental income	**13.0**	11.7

8. FINANCE COSTS

	GROUP	
	2008 **HK$'million**	**2007** **HK$'million**
Interest in respect of:		
Bank loans wholly repayable within five years	**4.8**	11.6
Other loans and promissory notes, wholly repayable within five years	**–**	8.8
	4.8	20.4
Other loan costs	**0.2**	–
Total finance costs	**5.0**	20.4

9. DIRECTORS' REMUNERATION

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

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Fees	**1.2**	1.1
Other emoluments:		
Salaries and other allowances	**6.2**	5.3
Performance related/discretionary bonuses	**1.0**	1.3
Equity-settled share option expense	**1.3**	2.2
Staff retirement scheme contributions	**0.6**	0.5
	10.3	10.4

(a) Independent Non-Executive Directors

The fees paid to the Independent Non-Executive Directors during the year were as follows:

	2008 HK$'million	**2007 HK$'million**
Mr. Bowen Joseph Leung Po Wing, GBS, JP*	**0.13**	–
Mr. Ng Siu Chan	**0.15**	0.15
Hon Abraham Shek Lai Him, SBS, JP	**0.15**	0.15
Mr. Wong Chi Keung	**0.20**	0.20
	0.63	0.50

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2007 - Nil).

* Appointed on 13th February, 2008.

(b) Executive directors and a non-executive director

	Fees HK$'million	Salaries and other allowances HK$'million	Performance related/ discretionary bonuses HK$'million	Equity-settled share option expense HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2008						
Executive directors:						
Mr. Lo Yuk Sui	0.10	2.35	0.39	0.78	0.24	3.86
Mr. Donald Fan Tung	0.10	0.92	0.17	0.13	0.09	1.41
Mr. Jimmy Lo Chun To	0.10	0.84	0.14	0.13	0.08	1.29
Miss Lo Po Man	0.10	0.13	0.02	0.07	0.01	0.33
Mr. Kenneth Ng Kwai Kai	0.10	0.68	0.09	0.13	0.04	1.04
Mr. Kenneth Wong Po Man	0.10	1.24	0.21	0.07	0.09	1.71
	0.60	6.16	1.02	1.31	0.55	9.64
2007						
Executive directors:						
Mr. Lo Yuk Sui	0.10	2.12	0.46	1.28	0.21	4.17
Mr. Donald Fan Tung	0.10	0.82	0.25	0.23	0.08	1.48
Mr. Jimmy Lo Chun To	0.10	0.64	0.27	0.23	0.05	1.29
Miss Lo Po Man	0.10	0.11	0.03	0.12	0.01	0.37
Mr. Kenneth Ng Kwai Kai	0.10	0.50	0.13	0.23	0.04	1.00
Mr. Kenneth Wong Po Man	0.10	1.09	0.21	0.12	0.08	1.60
	0.60	5.28	1.35	2.21	0.47	9.91
Non-executive director:						
Mrs. Kitty Lo Lee Kit Tai*	–	–	–	–	–	–
	0.60	5.28	1.35	2.21	0.47	9.91

* Resigned as a Non-Executive Director on 11th January, 2007 and received Director's fee of HK$2,740 during the year ended 31st December, 2007.

The Independent Non-Executive Directors of the Company were entitled to a total sum of HK$0.63 million (2007 - HK$0.50 million) as Directors' fees, including the fees entitled by those Independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2008.

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

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest-paid individuals included four (2007 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. The emoluments of the remaining one (2007 - one) individual, who was not a Director, are as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Salaries and other emoluments	**1.0**	0.9
Performance related/discretionary bonuses	**0.1**	0.1
Staff retirement scheme contributions	**0.1**	0.1
	1.2	1.1

The emoluments of the remaining one (2007 - one) individual fell within the following band:

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

11. TAX

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Group:		
Current - Hong Kong		
Charge for the year	**0.8**	1.1
Deferred tax expenses/(income) (note 28)	**(4.1)**	2.3
Total tax charge/(credit) for the year	**(3.3)**	3.4

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 - 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December, 2008.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

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

	GROUP	
	2008 **HK$'million**	**2007** **HK$'million**
Profit/(Loss) before tax	**(472.1)**	1,417.2
Tax at the Hong Kong statutory tax rate of 16.5% (2007 - 17.5%)	**(77.9)**	248.0
Effect on opening deferred tax of decrease in tax rate	**(0.6)**	–
Profits and losses attributable to associates	**61.3**	(224.0)
Income not subject to tax	**(4.6)**	(39.2)
Expenses not deductible for tax	**15.0**	18.3
Tax losses utilised from previous periods	**(1.3)**	(3.0)
Tax losses not recognised during the year	**4.8**	3.0
Others	**–**	0.3
Tax charge/(credit) at the Group's effective rate of 0.7% (2007 - 0.2%)	**(3.3)**	3.4

The share of tax charge attributable to associates amounting to HK$0.3 million (2007 - HK$7.7 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31st December, 2008 includes a loss of HK$4.0 million (2007 - HK$3.9 million) which has been dealt with in the financial statements of the Company (note 30(b)).

13. DIVIDENDS

	2008 HK$'million	2007 HK$'million
Interim - HK1.8 cents (as adjusted for the Share Consolidation (notes 14 and 29)) per ordinary share (2007 - HK1.8 cents, as adjusted)	**18.3**	13.6
Proposed final - HK2.0 cents per ordinary share (2007 - HK4.0 cents, as adjusted for the Share Consolidation)	**20.4**	40.8
	38.7	54.4

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK$468.8 million (2007 - profit of HK$1,413.8 million) and on the weighted average of 1,019.2 million ordinary shares of the Company in issue during the year, as adjusted for the effect of the consolidation of ordinary shares of the Company on the basis that every ten then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.10 effective from 23rd October, 2008 (the "Share Consolidation") (2007 - 849.0 million, as adjusted for the Share Consolidation).

(b) Diluted earnings/(loss) per ordinary share

No diluted loss per ordinary share is presented for the year ended 31st December, 2008 as the exercise prices of the share options of the Company and RHIHL and the subscription price of the warrants of the Company outstanding during the year are higher than the average market prices of the respective ordinary shares of the Company and RHIHL and, accordingly, they have no dilutive effect on the basic loss per ordinary share. In addition, the conversion of the outstanding convertible preference shares of RHIHL is anti-dilutive for the year and is not included in the calculation of diluted loss per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2007 was based on the profit for that year attributable to equity holders of the parent, adjusted for (i) the decrease in the Group's proportionate interest in the earnings of the RHIHL Group of HK$75.4 million; and (ii) the dividend income from the convertible preference shares of RHIHL of HK$1.4 million assuming all outstanding convertible bonds (including optional convertible bonds) of the RHIHL Group and all outstanding convertible preference shares of RHIHL were converted into, and the subscription rights attaching to all outstanding warrants of RHIHL were exercised to subscribe for, ordinary shares of RHIHL at the beginning of that year. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue (as adjusted for the Share Consolidation) during that year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 13.5 million (as adjusted for the Share Consolidation) that would be issued at no consideration assuming (i) all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that year; and (ii) the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the date of issue. The exercise price of the share options of RHIHL outstanding during that year was higher than the average market price of the ordinary shares of RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

15. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Leasehold properties HK$'million	Leasehold improvements, furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2008				
At 31st December, 2007 and 1st January, 2008:				
Cost	1.1	10.3	1.4	12.8
Accumulated depreciation	(0.3)	(8.7)	(0.8)	(9.8)
Net carrying amount	0.8	1.6	0.6	3.0
At 1st January, 2008, net of accumulated depreciation	0.8	1.6	0.6	3.0
Additions	–	0.3	–	0.3
Disposals/Write-off	–	–	(0.3)	(0.3)
Write-back of depreciation upon disposals/write-off	–	–	0.3	0.3
Depreciation provided during the year	(0.1)	(1.1)	(0.2)	(1.4)
At 31st December, 2008, net of accumulated depreciation	0.7	0.8	0.4	1.9
At 31st December, 2008:				
Cost	1.1	10.6	1.1	12.8
Accumulated depreciation	(0.4)	(9.8)	(0.7)	(10.9)
Net carrying amount	0.7	0.8	0.4	1.9

	GROUP			
	Leasehold properties HK$'million	Leasehold improvements, furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2007				
At 1st January, 2007:				
Cost	1.1	9.9	1.4	12.4
Accumulated depreciation	(0.3)	(7.4)	(0.7)	(8.4)
Net carrying amount	0.8	2.5	0.7	4.0
At 1st January, 2007, net of accumulated depreciation	0.8	2.5	0.7	4.0
Additions	–	0.4	0.5	0.9
Disposals/Write-off	–	–	(0.5)	(0.5)
Write-back of depreciation upon disposals/write-off	–	–	0.1	0.1
Depreciation provided during the year	–	(1.3)	(0.2)	(1.5)
At 31st December, 2007, net of accumulated depreciation	0.8	1.6	0.6	3.0
At 31st December, 2007:				
Cost	1.1	10.3	1.4	12.8
Accumulated depreciation	(0.3)	(8.7)	(0.8)	(9.8)
Net carrying amount	0.8	1.6	0.6	3.0

The leasehold properties are held under medium term leases and are situated in Hong Kong.

16. INVESTMENT PROPERTIES

	GROUP	
	2008 **HK$'million**	**2007** **HK$'million**
Carrying amount at 1st January	**380.3**	350.3
Gain/(Loss) from fair value adjustments	**(22.0)**	30.0
Carrying amount at 31st December	**358.3**	380.3

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK$'million
Long term leases	358.2
Medium term lease	0.1
	358.3

The Group's investment properties were revalued on 31st December, 2008 by independent professionally qualified valuers with an RICS qualification at HK$358.3 million, on an open market, existing use basis. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31st December, 2008, the Group's investment property with a carrying value of HK$358.0 million (2007 – HK$380.0 million) was pledged to secure banking facilities granted to the Group.

17. PROPERTY HELD FOR FUTURE DEVELOPMENT

	GROUP	
	2008 **HK$'million**	**2007** **HK$'million**
Medium term leasehold land in Hong Kong, at cost:		
At 1st January	**–**	26.7
Disposal of subsidiaries (note 32(d))	**–**	(26.7)
At 31st December	**–**	–

18. INTERESTS IN ASSOCIATES

	GROUP	
	2008 **HK$'million**	**2007** **HK$'million**
Listed and unlisted companies:		
Share of net assets	**3,452.2**	3,878.6
Goodwill on acquisition	**289.2**	284.3
	3,741.4	4,162.9
Loans to associates	**156.0**	156.0
Amounts due from associates	**239.5**	234.2
Amount due to an associate	**(0.1)**	(2.7)
	4,136.8	4,550.4
Less: Provision for impairment	**–**	(0.4)
	4,136.8	4,550.0
Share of net assets of the listed associate	**3,204.6**	3,654.7
Market value of an associate listed in Hong Kong	**1,025.7**	3,044.3

Goodwill

	GROUP	
	2008 **HK$'million**	**2007** **HK$'million**
Cost and carrying amount at 1st January	**284.3**	54.0
Acquisition of additional interests in the listed associate	**4.9**	230.3
Cost and carrying amount at 31st December	**289.2**	284.3

The loans to associates are unsecured, interest-free and not repayable within one year. The carrying amounts of these loans approximate to their fair values.

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the Directors, the loans to and amounts due from associates are considered as quasi-equity investments in the associates.

Details of the Group's principal associates are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2008	2007	Principal activities
Regal Hotels International Holdings Limited ("RHIHL")[(1)(i)]	Bermuda	Ordinary shares of HK$0.10 each [(1)(ii)]	47.0	45.2	Investment holding
		Preference shares of US$10 each	–[(1)(iii)]	20.5	
Hang Fok Properties Limited ("Hang Fok")[(2)]	British Virgin Islands	Ordinary shares of US$1 each	50.0	50.0	Investment holding
Cheerjoy Development Limited*	Hong Kong	Ordinary shares of HK$1 each	30.0	30.0	Property development

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

(1) (i) The RHIHL Group is engaged in the business activities of hotel operation and management, property investment and other investments. The RHIHL Group disposed of its hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of RHIHL. The ordinary shares of RHIHL are listed on the Stock Exchange.

(ii) Pursuant to an ordinary resolution passed by the shareholders of RHIHL at the special general meeting of RHIHL held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of RHIHL (on the basis that every 10 then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into 1 ordinary share of HK$0.10) was approved and subsequently became effective on 23rd October, 2008.

(iii) The preference shares were fully redeemed on maturity by RHIHL during the year.

(2) The major asset of Hang Fok is its 59% equity interest in each of two sino-foreign joint ventures, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. established in Beijing, the People's Republic of China (the "PRC"), which are engaged in a property development project in Beijing, PRC.

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

The summarised financial information of the Group's associates, which has been extracted from their audited consolidated financial statements and/or management accounts is as follows:

	2008 HK$'million	2007 HK$'million
Assets	**11,551.4**	12,465.8
Liabilities	**6,740.4**	6,558.5
Revenue	**1,511.8**	1,780.8
Profit/(Loss)	**(832.6)**	2,844.4

19. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Listed investments, at fair value:		
Elsewhere	**–**	9.9
Unlisted investments, at fair value	**3.2**	0.1
	3.2	10.0

During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to HK$0.8 million (2007 - HK$0.9 million).

The fair values of the listed investments in the prior year were based on quoted market prices. The fair values of the unlisted investments are based on the net asset value of the investments calculated by reference to the last traded prices of the underlying securities. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated equity, are reasonable, and that they are the most appropriate values at the balance sheet date.

20. LOANS RECEIVABLE

The balance represents long term mortgage loans granted by the Group to purchasers in connection with the sale of its properties. The loans are secured by second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at Hong Kong prime rate to Hong Kong prime rate plus 2% per annum. The carrying amounts of these loans receivable approximate to their fair values.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008 HK$'million	**2007 HK$'million**
Non-current assets:		
Listed equity investments in Hong Kong, at market value	**75.6**	135.0
Unlisted debt investment, at fair value	**135.7**	173.5
	211.3	308.5
Current assets:		
Listed equity investments in Hong Kong, at market value	**1.5**	0.3
Unlisted debt investment, at fair value	**119.5**	–
	121.0	0.3

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2007 and 2008 were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments are provided on that basis to the Group's key management personnel.

The listed equity investments included under current assets at 31st December, 2007 and 2008 were classified as held for trading.

The unlisted debt investment included under non-current assets in the prior year represented the investment in convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed company in Hong Kong, in a principal amount of HK$56.0 million. The convertible bonds are due 2009 and convertible into 800.0 million new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.07 per share (the "2009 CB"). In conjunction with the issue of the 2009 CB, the Group has granted to the Cosmopolitan group certain placement rights, exercisable by the Cosmopolitan group within twelve months from the date of issue (the "Lock-up Period"), to procure potential investors to purchase part or all of the 2009 CB held by the Group. During the Lock-up Period, the expiry date of which has subsequently been extended to 12th February, 2009, the Group shall not exercise the conversion rights, and save for the placement rights mentioned above, sell or transfer the 2009 CB to any third parties. In case where the Group disposes of the 2009 CB pursuant to such placement rights or chooses to retain the 2009 CB after an offer has been so procured, the Group would account to Cosmopolitan 70% of the profit arising from the placement of the 2009 CB.

In August 2008, the Group completed an agreement with Cosmopolitan group for the disposal by the Group of part of the 2009 CB in a principal amount of HK$11.0 million, to a third party investor procured by Cosmopolitan group at a consideration of approximately HK$78.6 million, equivalent to an effective disposal price of HK$0.50 per Cosmopolitan share. Under that agreement, the Group also sought release from Cosmopolitan group of the placement rights over part of the remaining 2009 CB in a principal amount of HK$7.0 million at a consideration of approximately HK$29.7 million, at the same effective price of HK$0.50 per Cosmopolitan share. The outstanding balance of the 2009 CB in a principal amount of HK$45.0 million has been reclassified as unlisted debt investment under current assets as at 31st December, 2008.

Subsequent to the balance sheet date, the Group converted part of its holding of the 2009 CB in a principal amount of HK$14.0 million into 200.0 million new ordinary shares of Cosmopolitan and its remaining holding of the 2009 CB in a principal amount of HK$31.0 million were redeemed by Cosmopolitan group in cash at an aggregate redemption amount of approximately HK$33.2 million upon their maturity in March 2009.

The fair value of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security.

At the date of approval of these financial statements, the market value of the listed equity investments was approximately HK$59.8 million and the fair value of the unlisted debt investments included under non-current assets was approximately HK$113.9 million.

22. INVENTORIES

	GROUP	
	2008	**2007**
	HK$'million	**HK$'million**
Raw materials	**–**	0.1
Work in progress	**8.8**	3.4
Finished goods	**1.2**	0.2
	10.0	3.7

23. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$46.1 million (2007 - HK$34.9 million) representing the trade debtors of the Group.

	GROUP	
	2008	**2007**
	HK$'million	**HK$'million**
Trade debtors	**46.1**	35.1
Impairment	**–**	(0.2)
	46.1	34.9

Credit terms

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

An aged analysis of the trade debtors as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Within 3 months	**45.5**	34.2
Between 4 to 6 months	**0.6**	0.8
Between 7 to 12 months	**–**	0.1
	46.1	35.1

The movements in provision for impairment of trade debtors are as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
At 1st January	**0.2**	–
Impairment losses recognised (note 7)	**–**	0.2
Amounts written off as uncollectible	**(0.2)**	–
At 31st December	**–**	0.2

The above provision for impairment of trade debtors in the prior year represented a provision for individually impaired trade debtors with a gross carrying amount of HK$0.6 million. The individually impaired trade debtors related to customers that were in financial difficulties and only a portion of the balances was expected to be recovered. The Group did not hold any collateral or other credit enhancements over those balances.

An aged analysis of the trade debtors that are not considered to be impaired is as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Less than 3 months past due	**45.5**	33.8
4 to 6 months past due	**0.6**	0.7
	46.1	34.5

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

Included in the balances are amounts due from the Group's listed associate, a jointly controlled entity of the listed associate and related companies of HK$9.8 million (2007 - HK$12.8 million), HK$0.7 million (2007 - HK$1.9 million) and HK$2.6 million (2007 - HK$3.6 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

24. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In prior years, the Group's interest in Talent Faith Investments Ltd. ("Talent Faith") was classified under interests in associates despite the increase in its equity interest therein from 50% to 100% in 2003, since the Group had entered into an agreement (the "SP Agreement") in that year to dispose of its entire equity interest in Talent Faith and accordingly the control over Talent Faith was considered temporary pending the outcome of the SP Agreement.

As at 31st December, 2005, the SP Agreement had not yet been completed and upon the adoption of HKAS 27 and HKFRS 5 in 2005, the result of Talent Faith was consolidated in the Group's consolidated financial statements and the asset and liability of Talent Faith and its subsidiaries (the "Talent Faith Group") were presented as asset and liability of a disposal group classified as held for sale under current assets and current liabilities, respectively. The consideration of the disposal was settled at 31st December, 2006. However, the SP Agreement was yet to be completed due to a delay caused by events beyond the Group's control. Since the Group remains committed to its plan to dispose of Talent Faith, no reclassification has been made therefor. The consideration received in the amount of HK$216.7 million was included in "Deposits received" at 31st December, 2007 and 2008.

The major class of the asset and liability of the Talent Faith Group classified as held for sale as at 31st December are as follows:

	2008 **HK$'million**	**2007** **HK$'million**
Asset		
Loan receivable	**249.4**	249.4
Liability		
Loan from minority shareholders	**(98.9)**	(98.9)

25. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK$25.6 million (2007 - HK$14.4 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Outstanding balances with ages:		
Within 3 months	**25.6**	14.4

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balances are amounts due to the Group's listed associate and a fellow subsidiary of HK$2.3 million (2007 - Nil) and HK$1.3 million (2007 - HK$1.2 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

26. CONSTRUCTION CONTRACTS

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Gross amount due from contract customers included in debtors, deposits and prepayments	**9.2**	14.8
Gross amount due to contract customers included in creditors and accruals	**(37.7)**	(34.8)
	(28.5)	(20.0)
Contract costs incurred plus recognised profits less recognised losses to date	**1,969.7**	1,734.3
Less: Progress billings	**(1,998.2)**	(1,754.3)
	(28.5)	(20.0)

At 31st December, 2008, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK$15.7 million (2007 - HK$13.3 million).

27. INTEREST BEARING BANK BORROWINGS

GROUP

	2008 Effective interest rate (%) p.a.	2008 Maturity	2008 HK$'million	2007 Effective interest rate (%) p.a.	2007 Maturity	2007 HK$'million
Current						
Bank loans - secured	–	–	–	4.4 - 6.7	2008	197.0
Non-current						
Bank loans - secured	**1.0 - 5.2**	**2011**	**214.6**	4.1 - 5.4	2009	50.0
			214.6			247.0

GROUP

	2008 HK$'million	2007 HK$'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	–	197.0
In the second year	–	50.0
In the third to fifth years, inclusive	**214.6**	–
	214.6	247.0

All interest bearing bank borrowings are in Hong Kong dollars.

The Group's bank borrowings are secured by the pledge of certain of the Group's assets as further detailed in note 34 to the financial statements.

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

28. DEFERRED TAX

The movements in deferred tax liabilities of the Group for the years ended 31st December, 2008 and 2007 are as follows:

	GROUP			
	Revaluation of investment properties HK$'million	Accelerated tax depreciation HK$'million	Tax losses HK$'million	Total HK$'million
At 1st January, 2007	14.0	0.7	(6.0)	8.7
Deferred tax charged/(credited) to the income statement during the year (note 11)	5.2	0.7	(3.6)	2.3
At 31st December, 2007 and 1st January, 2008	19.2	1.4	(9.6)	11.0
Deferred tax charged/(credited) to the income statement during the year (note 11)	(4.7)	0.5	0.1	(4.1)
At 31st December, 2008	14.5	1.9	(9.5)	6.9

In addition, the Group also has tax losses arising in Hong Kong and the United States of America amounting to HK$781.5 million (2007 - HK$760.1 million) and HK$212.8 million (2007 - HK$212.9 million), respectively, as at 31st December, 2008. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. No deferred tax assets in respect of these tax losses have been recognised on account of the unpredictability of future profit streams.

At 31st December, 2008, there was no significant unrecognised deferred tax liability (2007 - Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2008 **HK$'million**	**2007** **HK$'million**
Shares		
Authorised:		
2,000.0 million (2007 - 20,000.0 million) ordinary shares of HK$0.10 (2007 - HK$0.01) each	**200.0**	200.0
4,750.0 million (2007 - 4,750.0 million) convertible preference shares of HK$0.10 each	**475.0**	475.0
	675.0	675.0
Issued and fully paid:		
1,019.3 million (2007 - 10,187.1 million) ordinary shares of HK$0.10 (2007 - HK$0.01) each	**101.9**	101.9
Share premium		
Ordinary shares	**1,173.6**	1,172.3

A summary of the movements of the Company's share capital and share premium during the years ended 31st December, 2008 and 2007 is as follows:

	Notes	Authorised		Issued and fully paid		Share premium account
		Number of shares 'million	Amount HK$'million	Number of shares 'million	Amount HK$'million	HK$'million
Ordinary shares						
At 1st January, 2007		20,000.0	200.0	7,208.5	72.1	522.1
Issue of new shares in settlement of the Share Swap	(i)	–	–	336.0	3.4	122.6
Issue of new shares under the Open Offer	(ii)	–	–	2,640.7	26.4	528.2
Issue of new shares upon exercise of share options	(iii)	–	–	0.5	–	0.1
Issue of new shares upon exercise of warrants	(iv)	–	–	1.4	–	0.3
Share issue expenses		–	–	–	–	(1.0)
At 31st December, 2007 and 1st January, 2008		20,000.0	200.0	10,187.1	101.9	1,172.3
Issue of new shares upon exercise of warrants	(v)	–	–	6.3	–	1.3
		20,000.0	200.0	10,193.4	101.9	1,173.6
Balance at 23rd October, 2008 after the Share Consolidation	(vi)	2,000.0	200.0	1,019.3	101.9	1,173.6
At 31st December, 2008		2,000.0	200.0	1,019.3	101.9	1,173.6
Convertible preference shares of HK$0.10 each						
At 1st January, 2007, 31st December, 2007 and 2008		4,750.0	475.0	–	–	–
Total share capital						
At 31st December, 2008			**675.0**		**101.9**	**1,173.6**
At 31st December, 2007			675.0		101.9	1,172.3

Notes:

(i) In July 2007, 336.0 million new ordinary shares of HK$0.01 each were issued in settlement of the consideration of HK$126.0 million for the acquisition from an independent third party of 180.0 million existing issued shares in Cosmopolitan pursuant to a share swap agreement (the "Share Swap").

(ii) In November 2007, 2,640.7 million new ordinary shares of HK$0.01 each were issued to the qualifying shareholders of the Company on the basis of seven new ordinary shares for every twenty existing ordinary shares then held at a subscription price of HK$0.21 per share under the open offer of new ordinary shares of HK$0.01 each to the qualifying shareholders of the Company (the "Qualifying Shareholders") on the basis of seven new ordinary shares of HK$0.01 each (with three new bonus warrants for every seven open offer shares taken up) for every twenty existing ordinary shares of HK$0.01 each held on 22nd October, 2007 at a subscription price of HK$0.21 per share (the "Open Offer").

(iii) During the year ended 31st December 2007, 0.5 million new ordinary shares of HK$0.01 each were issued upon the exercise of the same number of share options of the Company at the then prevailing exercise price of HK$0.22 per share.

(iv) During the year ended 31st December 2007, an aggregate of 1.4 million new ordinary shares of HK$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the then prevailing subscription price of HK$0.21 per share for a total cash consideration of HK$0.3 million, before expenses.

(v) During the year, an aggregate of 6.3 million new ordinary shares of HK$0.01 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the then prevailing subscription price of HK$0.21 per share for a total cash consideration of HK$1.3 million, before expenses.

(vi) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 22nd October, 2008, the consolidation of ordinary shares in the share capital of the Company (on the basis that every 10 then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.10) was approved and subsequently became effective on 23rd October, 2008.

Share options

The Company operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Share Option Scheme"). The Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Offer date**	Name or category of participant	At 1st January, 2008	Vested during the year	Before adjustment for the effect of Share Consolidation (Note 1)	After adjustment for the effect of Share Consolidation and at 31st December, 2008 (Note 1)	Vesting/ Exercise periods of share options	Adjusted exercise price of share options* HK$ (Note 1)
		Number of ordinary shares under share options*					
	Directors						
12th May, 2005	Mr. Lo Yuk Sui						
	Vested:	80,352,000	40,176,000	120,528,000	12,052,800	Note 2	1.97
	Unvested:	120,528,000***	(40,176,000)	80,352,000	8,035,200		
25th July, 2005	Mr. Donald Fan Tung						
	Vested:	8,928,000	4,464,000	13,392,000	1,339,200	Note 2	1.97
	Unvested:	13,392,000	(4,464,000)	8,928,000	892,800		
25th July, 2005	Mr. Jimmy Lo Chun To						
	Vested:	8,928,000	4,464,000	13,392,000	1,339,200	Note 2	1.97
	Unvested:	13,392,000	(4,464,000)	8,928,000	892,800		
25th July, 2005	Miss Lo Po Man						
	Vested:	4,464,000	2,232,000	6,696,000	669,600	Note 2	1.97
	Unvested:	6,696,000	(2,232,000)	4,464,000	446,400		
25th July, 2005	Mr. Kenneth Ng Kwai Kai						
	Vested:	8,370,000	4,464,000	12,834,000	1,283,400	Note 2	1.97
	Unvested:	13,392,000	(4,464,000)	8,928,000	892,800		
25th July, 2005	Mr. Kenneth Wong Po Man						
	Vested:	4,464,000	2,232,000	6,696,000	669,600	Note 2	1.97
	Unvested:	6,696,000	(2,232,000)	4,464,000	446,400		
	Other Employees						
25th July, 2005	Employees, in aggregate						
	Vested:	7,588,800	3,794,400	11,383,200	1,138,320	Note 2	1.97
	Unvested:	11,383,200	(3,794,400)	7,588,800	758,880		
	Total						
	Vested:	**123,094,800**	**61,826,400**	**184,921,200**	**18,492,120**		
	Unvested:	**185,479,200**	**(61,826,400)**	**123,652,800**	**12,365,280**		

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

** Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of the share options is declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Notes:

(1) During the year, as a result of the Share Consolidation, the total number of ordinary shares falling to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 308,574,000 options granted under the Share Option Scheme was adjusted from 308,574,000 ordinary shares of HK$0.01 each to 30,857,400 ordinary shares of HK$0.10 each, and the exercise price of all outstanding options was adjusted from HK$0.197 per ordinary share to HK$1.97 per ordinary share, both effective from 23rd October, 2008.

(2) Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The summarised information on the Share Option Scheme is set out as follows:

(i)	Purpose:	To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
(ii)	Participants:	Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person
(iii)	Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2008 and at the date of this report:	30,857,400 ordinary shares (approximately 3.03%)
(iv)	Maximum entitlement of each participant under the Share Option Scheme:	Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested to no later than ten years after the offer date
(vi)	Minimum period for which an option must be held before it can be exercised:	No minimum period unless otherwise determined by the Board at the time of the approval of the grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A

(viii)	The basis of determining the exercise price:	Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company
(ix)	The life of the Share Option Scheme:	The life of the Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015

Warrants

At the special general meeting of the Company held on 7th November, 2007, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company on the basis of three units of Warrants each carrying a subscription right of HK$0.21 for every seven ordinary shares of HK$0.01 each of the Company taken up by the Qualifying Shareholders under the Open Offer.

On 13th November, 2007, Warrants carrying aggregate subscription rights of approximately HK$237.7 million were issued to the shareholders of the Company. On issue, the Warrants confer rights on their holders to subscribe for up to approximately 1,131.7 million new ordinary shares of HK$0.01 each of the Company at the initial subscription price of HK$0.21 per ordinary share of HK$0.01 each (subject to adjustment), at any time from the date falling 7 days after the date of issue (i.e., 13th November, 2007) to the date falling 7 days prior to the third anniversary of date of issue (i.e., 8th November, 2010). With effect from 23rd October, 2008, the subscription price of the Warrants was adjusted to HK$2.10 per ordinary share of HK$0.10 as a result of the Share Consolidation.

During the year ended 31st December, 2007, Warrants carrying aggregate subscription rights of approximately HK$0.3 million were exercised to subscribe for 1.4 million new ordinary shares of HK$0.01 each of the Company at the then prevailing subscription price of HK$0.21 per share. During the year ended 31st December, 2008, Warrants carrying aggregate subscription rights of approximately HK$1.3 million and HK$3,229.38 were exercised to subscribe for 6.3 million new ordinary shares of HK$0.01 each of the Company at the then prevailing subscription price of HK$0.21 per share and 1,537 new ordinary shares of HK$0.10 each of the Company at the adjusted subscription price of HK$2.10 per share, respectively. At the balance sheet date, the Company had Warrants carrying aggregate subscription rights of approximately HK$236.1 million remaining outstanding. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 112.4 million additional ordinary shares of HK$0.10 each and share premium of HK$224.8 million (before issue expenses).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 61 to 62.

Special reserve

The Group's special reserve represents reserve arising from the Company's capital reorganisation in 2002.

(b) Company

	Notes	Share premium account HK$'million	Contributed surplus HK$'million	Share option reserve HK$'million	Retained profits HK$'million	Total HK$'million
At 1st January, 2007		522.1	1,742.7	4.6	623.4	2,892.8
Issue of new shares in settlement of the Share Swap	29(i)	122.6	–	–	–	122.6
Issue of new shares under the Open Offer	29(ii)	528.2	–	–	–	528.2
Issue of new shares upon exercise of share options	29(iii)	0.1	–	–	–	0.1
Issue of new shares upon exercise of warrants	29(iv)	0.3	–	–	–	0.3
Share issue expenses		(1.0)	–	–	–	(1.0)
Equity-settled share option arrangements	29	–	–	2.4	–	2.4
Loss for the year		–	–	–	(3.9)	(3.9)
Interim 2007 dividend	13	–	–	–	(13.6)	(13.6)
Proposed final 2007 dividend	13	–	–	–	(40.8)	(40.8)
At 31st December, 2007 and 1st January, 2008		1,172.3	1,742.7	7.0	565.1	3,487.1
Issue of new shares upon exercise of warrants	29(v)	1.3	–	–	–	1.3
Equity-settled share option arrangements	29	–	–	1.4	–	1.4
Loss for the year		–	–	–	(4.0)	(4.0)
Interim 2008 dividend	13	–	–	–	(18.3)	(18.3)
Proposed final 2008 dividend	13	–	–	–	(20.4)	(20.4)
At 31st December, 2008		1,173.6	1,742.7	8.4	522.4	3,447.1

The contributed surplus represents reserves arising from (i) a group reorganisation in 1993 in preparation for a separate listing of the Company's shares, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net assets value of the subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2002.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4(x) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after vesting.

31. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2008 HK$'million	**2007 HK$'million**
Unlisted shares, at cost	**209.0**	209.0
Amounts due from subsidiaries	**3,362.1**	3,422.3
	3,571.1	3,631.3

The amounts due from subsidiaries are unsecured, interest-free and not repayable within one year. In the opinion of the Directors, these amounts are considered as quasi-equity investments in the subsidiaries. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
303 Technology Limited	Hong Kong	HK$2	100	100	Security systems and software development and distribution
Bajan Company Limited	Hong Kong	HK$2	100	100	Securities investment
Cathay City Property Management, Inc.	U.S.A.	US$10,000	100	100	Financing
Chatwin Engineering Limited	Hong Kong	HK$16,800,000	100	100	Building construction
Cosmos Best Development Limited	Hong Kong	HK$2	100	100	Management services
Cosmos Gain Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Everlane Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Farich Investment Limited	Hong Kong	HK$2	100	100	Investment holding
Finso Limited	Hong Kong	HK$2	100	100	Investment holding
Gain World Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Glaser Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Grand Equity Limited	British Virgin Islands	US$1	100	100	Investment holding
Guo Yui Investments Limited	British Virgin Islands	US$1	100	100	Investment holding

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
H.P. Nominees Limited	Hong Kong	HK$2	100	100	Investment holding and nominee services
Hilmark Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Leading Technology Holdings Limited	British Virgin Islands	US$100	100	100	Investment holding
Lendas Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Linkprofit Limited	Hong Kong	HK$1,000	100	100	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK$10	100	100	Investment holding
Paliburg Building Services Limited	Hong Kong	HK$2	100	100	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK$100,000	100	100	Development consultants
Paliburg Development Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg Estate Agents Limited	Hong Kong	HK$20	100	100	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK$20	100	100	Estate management
Paliburg Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg International Holdings Limited	Bermuda	HK$100,000	100	100	Investment holding

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2008	2007	Principal activities
Paliburg Investments Limited	Hong Kong	HK$526,506,860	100	100	Investment holding
Paliburg Property Development (Shanghai) Co., Ltd.	The People's Republic of China	US$10,000,000	100	100	Property development and investment
Rich Pearl Limited	Hong Kong	HK$10,000	100	100	Financing
Sanefix Development Limited	Hong Kong	HK$2	100	100	Property investment
Shenzhen Leading Technology Co., Ltd.*	The People's Republic of China	RMB20,000,000	100	100	Security systems and software development and distribution
Sonnix Limited	Hong Kong	HK$2	100	100	Property investment
Sun Joyous Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Taylor Investments Ltd.	British Virgin Islands	US$1	100	100	Investment holding
Transcar Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Winart Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Yield Star Limited	British Virgin Islands	US$1	100	100	Investment holding

* This subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

Except for Paliburg Development BVI Holdings Limited and Paliburg Property Development (Shanghai) Co., Ltd., all of the above subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the place of their incorporation/registration.

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

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to net cash inflow/(outflow) from operating activities

	2008 HK$'million	2007 HK$'million
Profit/(Loss) before tax	**(472.1)**	1,417.2
Adjustments for:		
Finance costs	**5.0**	20.4
Share of profits and losses of associates	**371.4**	(1,280.0)
Interest income	**(5.5)**	(8.1)
Dividend income	**(1.8)**	(1.5)
Loss on deemed disposal of interests in the listed associate	**–**	76.8
Gain on disposal of subsidiaries	**–**	(23.2)
Gain on redemption of available-for-sale investments	**(9.0)**	–
Loss on disposal of financial assets at fair value through profit or loss	**2.2**	–
Release of unrealised profit upon disposal of subsidiaries by the listed associate	**–**	(21.5)
Depreciation	**1.2**	1.4
Write-off of items of property, plant and equipment	**–**	0.4
Impairment of debtors	**–**	0.2
Profit on sale of properties	**–**	(37.1)
Fair value losses/(gains) on investment properties	**22.0**	(30.0)
Fair value losses/(gains) on financial assets at fair value through profit or loss	**76.9**	(126.6)
Net proceeds from sale of properties	**–**	14.0
Equity-settled share option expenses	**1.4**	2.4
	(8.3)	4.8
Decrease/(Increase) in financial assets at fair value through profit or loss	**(4.7)**	18.9
Decrease/(Increase) in inventories	**(6.3)**	3.2
Decrease/(Increase) in debtors, deposits and prepayments	**(4.2)**	8.6
Increase/(Decrease) in creditors and accruals	**7.5**	(4.3)
Increase in deposits received	**–**	1.0
Cash generated from/(used in) operations	**(16.0)**	32.2
Hong Kong profits tax refunded/(paid)	**(1.1)**	0.1
Net cash inflow/(outflow) from operating activities	**(17.1)**	32.3

(b) Major non-cash transactions

(i) In the prior year, a partial consideration receivable by the Group in the amount of HK$56.0 million in respect of the disposal of its entire equity interest in a wholly-owned subsidiary indirectly holding a property held for sale was satisfied by the purchaser group issuing to the Group convertible bonds in the same principal amount.

(ii) As detailed in note 29(i), in the prior year, 336.0 million new ordinary shares of the Company of HK$0.01 each were issued in settlement of the consideration of HK$126.0 million for a share swap of 180.0 million existing issued shares of Cosmopolitan.

(iii) In the prior year, a partial consideration payable for the acquisition of convertible bonds issued by the listed associate in the amount of HK$300.0 million was satisfied by the issue of promissory notes which were subsequently settled during that year.

(c) Restricted cash and cash equivalent balances

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$62.2 million (2007 - HK$58.5 million). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(d) Disposal of subsidiaries

	2008 HK$'million	2007 HK$'million
Net assets disposed of:		
Property held for future development (note 17)	–	26.7
Debtors, deposits and prepayments	–	0.1
	–	26.8
Gain on disposal (note 5)	–	23.2
	–	50.0
Satisfied by:		
Cash	–	50.0

33. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2008 HK$'million	2007 HK$'million
The listed ultimate holding company:			
Management fees	(i)	**7.4**	6.5
The listed associate:			
Gross construction fee income	(ii)	**68.8**	110.6
Gross development consultancy fee income	(iii)	**5.3**	8.9
Gross income in respect of security systems and products and other software	(iv)	**5.4**	3.4
A jointly controlled entity of the listed associate*:			
Gross construction fee income	(ii)	**0.1**	2.0
A related company*:			
Advertising and promotion fees (including cost reimbursements)	(v)	**–**	0.1

* Certain directors of these related companies are also the Directors of the Company.

Notes:

(i) The management costs included rentals and other overheads allocated from CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, RHIHL and the Company based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.

(ii) The construction fee income was received from the RHIHL Group for providing repairs and maintenance and construction works for the hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(iii) The gross development consultancy fee income was charged to the RHIHL Group for advisory, supervisory, architectural and design services provided in connection with the room extension and other renovation projects of the hotel properties operated by the RHIHL Group. The fees were charged at agreed rates of the estimated cost of individual projects.

(iv) The fees were received from the RHIHL Group for the purchases and maintenance services of the security systems and products and other software installed in the hotels operated by the RHIHL Group. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.

(v) The advertising and promotion fees comprised a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

(b) Outstanding balances with related parties:

	Notes	2008 HK$'million	2007 HK$'million
Due from associates	(i)	**249.3**	247.0
Due from a jointly controlled entity of the listed associate	(ii)	**0.7**	1.9
Due from related companies	(ii)	**2.6**	3.6
Due to a fellow subsidiary	(iii)	**(1.3)**	(1.2)
Due to the listed associate	(iv)	**(2.4)**	(2.7)
Loans to associates	(v)	**156.0**	156.0

Notes:

(i) Except for an amount of HK$239.5 million (2007 – HK$234.2 million) included in interests in associates in note 18 to the financial statements, the remaining balance is included in debtors, deposits and prepayments in note 23 to the financial statements.

(ii) The amounts are included in debtors, deposits and prepayments in note 23 to the financial statements.

(iii) The amounts are included in creditors and accruals in note 25 to the financial statements.

(iv) Except for an amount of HK$0.1 million (2007 – HK$2.7 million) included in interests in associates in note 18 to the financial statements, the remaining balance is included in creditors and accruals in note 25 to the financial statements.

(v) Details of loans to associates are included in note 18 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2008 HK$'million	2007 HK$'million
Short term employee benefits	**8.3**	7.7
Equity-settled share option expense	**1.3**	2.2
Total compensation paid to key management personnel	**9.6**	9.9

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

The related party transactions set out in notes 33(a)(i) and (v) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. Such transactions are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to, where applicable, rules 14A.31(8), 14A.33(2) and 14A.33(3)(a) of the Listing Rules.

The related party transactions set out in note 33(a)(ii) to (iv) above did not constitute connected transactions as defined in the Listing Rules to the Company.

34. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's investment properties with a total carrying value of HK$358.0 million (2007 - HK$380.0 million) and certain ordinary shares in the listed associate with a market value of HK$115.7 million (2007 - HK$344.5 million) were pledged to secure general banking facilities granted to the Group.

35. CONTINGENT LIABILITIES

At the balance sheet date, the Company had the following contingent liabilities:

	2008 HK$'million	2007 HK$'million
Corporate guarantees provided by the Company in respect of banking facilities granted to subsidiaries	**264.7**	247.1

At 31st December, 2008, the banking facilities granted to the subsidiaries subject to guarantees given by the Company were utilised to the extent of approximately HK$214.7 million (2007 - HK$247.1 million).

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2008	**2007**
	HK$'million	**HK$'million**
Within one year	**9.2**	9.6
In the second to fifth years, inclusive	**2.0**	5.4
	11.2	15.0

(b) As lessee

The Group leases certain office properties, area and machineries under operating lease arrangements. Leases for the office properties and area are negotiated for terms ranging from 1 to 2 years, and those for the machineries are for terms ranging from 1 to 1.5 years.

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

	GROUP	
	2008	**2007**
	HK$'million	**HK$'million**
Within one year	**0.2**	1.8

At the balance sheet date, the Company had no outstanding operating lease commitment.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition HK$'million	Financial assets at fair value through profit or loss - held for trading HK$'million	Loans and receivables HK$'million	Available-for-sale financial assets HK$'million	Total HK$'million
Interests in associates (note 18)	–	–	395.5	–	395.5
Available-for-sale investments	–	–	–	3.2	3.2
Financial assets at fair value through profit or loss	330.8	1.5	–	–	332.3
Loans receivable	–	–	6.5	–	6.5
Trade debtors (note 23)	–	–	46.1	–	46.1
Other financial assets included in debtors, deposits and prepayments	–	–	24.0	–	24.0
Time deposits	–	–	186.0	–	186.0
Cash and bank balances	–	–	92.0	–	92.0
	330.8	1.5	750.1	3.2	1,085.6

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Interests in associates (note 18)	0.1
Trade creditors (note 25)	25.6
Other financial liabilities included in creditors and accruals	24.4
Deposits received	4.6
Interest bearing bank borrowings (note 27)	214.6
	269.3

2007 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition HK$'million	- held for trading HK$'million	Loans and receivables HK$'million	Available-for-sale financial assets HK$'million	Total HK$'million
Interests in associates (note 18)	–	–	390.2	–	390.2
Available-for-sale investments	–	–	–	10.0	10.0
Financial assets at fair value through profit or loss	308.5	0.3	–	–	308.8
Loans receivable	–	–	9.7	–	9.7
Trade debtors (note 23)	–	–	34.9	–	34.9
Other financial assets included in debtors, deposits and prepayments	–	–	24.8	–	24.8
Time deposits	–	–	330.2	–	330.2
Cash and bank balances	–	–	71.7	–	71.7
	308.5	0.3	861.5	10.0	1,180.3

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Interests in associates (note 18)	2.7
Trade creditors (note 25)	14.4
Other financial liabilities included in creditors and accruals	22.5
Deposits received	4.6
Interest bearing bank borrowings (note 27)	247.0
	291.2

	COMPANY	
Financial assets	**2008 Loans and receivables HK$'million**	**2007 Loans and receivables HK$'million**
Amounts due from subsidiaries (note 31)	**3,362.1**	3,422.3
Financial liabilities	**Financial liabilities at amortised cost HK$'million**	**Financial liabilities at amortised cost HK$'million**
Financial liabilities included in creditors and accruals	**1.5**	1.9

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, financial assets at fair value through profit or loss, trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 27 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's equity.

	GROUP		
	Change in basis points	Change in profit/(loss) before tax HK$'million	Change in equity* HK$'million
2008			
Hong Kong dollar	**100**	**2.1**	**–**
2007			
Hong Kong dollar	100	2.5	–

* Excluding retained profits

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated balance sheet. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss and available-for-sale investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 23 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from either the financial market or realisation of its assets if required.

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

GROUP

2008

	Within 1 year or on demand HK$'million	1 to 2 years HK$'million	3 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	**–**	**–**	**214.7**	**214.7**
Trade creditors	**25.6**	**–**	**–**	**25.6**
Other payables	**24.4**	**–**	**–**	**24.4**
Deposits received	**4.6**	**–**	**–**	**4.6**
Due to an associate	**0.1**	**–**	**–**	**0.1**
	54.7	**–**	**214.7**	**269.4**

2007

	Within 1 year or on demand HK$'million	1 to 2 years HK$'million	3 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	197.1	50.0	–	247.1
Trade creditors	14.4	–	–	14.4
Other payables	22.5	–	–	22.5
Deposits received	4.6	–	–	4.6
Due to an associate	2.7	–	–	2.7
	241.3	50.0	–	291.3

COMPANY

	2008 Within 1 year or on demand HK$'million	2007 Within 1 year or on demand HK$'million
Creditors and accruals	**1.5**	1.9

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual investments classified as financial assets at fair value through profit or loss (note 21) and available-for-sale investments (note 19) as at 31st December, 2008. The Group's listed investments are valued at quoted market prices and the unlisted investments are either valued by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security or carried at the net asset value calculated by reference to the last traded prices of the underlying securities at the balance sheet date.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed securities of the unlisted investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale investments the impact is deemed to be on the available-for-sale investments revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of investments HK$'million	Change in profit/(loss) before tax HK$'million	Change in equity* HK$'million
2008			
Listed investments:			
– At fair value through profit or loss	**77.1**	**3.9**	**–**
Unlisted investments:			
– Available-for-sale	**3.2**	**–**	**0.2**
– At fair value through profit or loss	**255.2**	**12.1**	**–**
2007			
Listed investments:			
– Available-for-sale	9.9	–	0.5
– At fair value through profit or loss	135.3	6.8	–
Unlisted investments:			
– Available-for-sale	0.1	–	–
– At fair value through profit or loss	173.5	6.1	–

* Excluding retained profits

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2008 and 31st December, 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings less cash and cash equivalents, and excludes discontinued operations. The gearing ratios as at the balance sheet dates were as follows:

	GROUP	
	2008 HK$'million	**2007 HK$'million**
Interest bearing bank borrowings	**214.6**	247.0
Less: Cash and cash equivalents	**(278.0)**	(401.9)
Net cash	**(63.4)**	(154.9)
Total assets	**5,462.1**	5,998.5
Gearing ratio	**N/A**	N/A

39. POST BALANCE SHEET EVENTS

Apart from the post balance sheet event disclosed in note 21 to the financial statements, in February 2009, the Group also completed the subscription for certain zero coupon guaranteed convertible bonds due 2011 issued by the Cosmopolitan group in a principal amount of HK$28.0 million. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK$0.30 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

40. COMPARATIVE AMOUNTS

As further explained in note 5 to the financial statements, certain comparative amounts have been revised to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31st March, 2009.

Independent Auditors' Report

ERNST & YOUNG
安永

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

We have audited the financial statements of Paliburg Holdings Limited set out on pages 58 to 134, which comprise the consolidated and company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
31st March, 2009

Schedule of Principal Properties

As at 31st December, 2008

PROPERTIES FOR DEVELOPMENT AND/OR SALE

	Description	Use	Approx. Area	Stage of completion (estimated completion date)	Percentage interest attributable to the Company
(1)	Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong	Residential	Site area - 180,511 sq. ft. Gross floor area - 913,000 sq. ft.	Superstructure works in progress (to be completed by the end of 2010)	30
(2)	Certain carparking spaces at Villa Art Deco, 9 Town Park Road South, Yuen Long, Hong Kong	Carparking spaces	—	—	100
(3)	Certain carparking spaces at Park Royale Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong	Carparking spaces	—	—	100
(4)	Development site at Chao Yang Men Wai Da Jie, Chao Yang District, Beijing, PRC	Commercial/ office/hotel complex	Construction site area for the whole development - 610,240 sq. ft.	Development plans approved and Land Use Right Certificates for the Phase I land site obtained	43.4
(5)	Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - 571,848 sq. ft. Gross floor area of 16 allocated houses held - approx. 78,076 sq. ft.	Completed in March 2004	47

As at 31st December, 2008

	Description	Use	Approx. Area	Stage of completion (estimated completion date)	Percentage interest attributable to the Company
(6)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	Site area for the whole development- 1,204,148 sq. ft.	Planning works in progress	23.5

PROPERTIES FOR INVESTMENT

	Description	Use	Lease	Percentage interest attributable to the Company
(1)	Office floors and certain shop units at 211 Johnston Road, Wanchai, Hong Kong	Office/ commercial	Long term	100
(2)	15 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	47

Published Five Year Financial Summary

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

RESULTS

	Year ended 31st December,				
	2008 **HK$'million**	2007 HK$'million	2006 HK$'million	2005 HK$'million	2004 HK$'million
Revenue	**280.0**	334.5	159.6	77.4	697.9
Operating profit/(loss)	**(95.7)**	157.6	163.6	154.0	(83.8)
Finance costs	**(5.0)**	(20.4)	(10.3)	(11.3)	(52.6)
Share of profits and losses of:					
Jointly controlled entity	**–**	–	–	–	60.1
Associates	**(371.4)**	1,280.0	155.4	376.8	84.1
Profit/(Loss) before tax	**(472.1)**	1,417.2	308.7	519.5	7.8
Tax	**3.3**	(3.4)	(8.6)	(2.1)	9.9
Profit/(Loss) for the year before allocation between equity holders of the parent and minority interests	**(468.8)**	1,413.8	300.1	517.4	17.7
Attributable to:					
Equity holders of the parent	**(468.8)**	1,413.8	300.1	517.4	(31.3)
Minority interests	**–**	–	–	–	49.0
	(468.8)	1,413.8	300.1	517.4	17.7

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31st December,				
	2008	2007	2006	2005	2004
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Property, plant and equipment	**1.9**	3.0	4.0	4.4	1.5
Investment properties	**358.3**	380.3	350.3	0.3	0.9
Goodwill	**–**	–	–	–	58.0
Property under development	**–**	–	–	–	7.2
Property held for future development	**–**	–	26.7	26.7	26.7
Interests in associates	**4,136.8**	4,550.0	2,980.6	2,697.4	2,136.5
Available-for-sale investments/ Long term investments	**3.2**	10.0	34.7	130.8	203.5
Financial assets at fair value through profit or loss	**211.3**	308.5	–	–	–
Loans receivable	**6.5**	9.7	14.3	22.0	31.6
Current assets	**744.1**	737.0	547.4	641.8	382.6
Total assets	**5,462.1**	5,998.5	3,958.0	3,523.4	2,848.5
Current liabilities	**(424.8)**	(614.7)	(430.3)	(304.2)	(281.0)
Interest bearing bank and other borrowings	**(214.6)**	(50.0)	(248.1)	(148.2)	–
Advances from the minority shareholder of a subsidiary	**–**	–	–	–	(34.4)
Deferred tax liabilities	**(6.9)**	(11.0)	(8.7)	–	–
Total liabilities	**(646.3)**	(675.7)	(687.1)	(452.4)	(315.4)
Minority interests	**0.2**	0.2	0.2	0.2	0.2