東 方 銀 座 控 股
Oriental Ginza Holdings

Oriental Ginza Holdings Limited

Stock Code : 00996

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Annual Report | 2008

BOARD OF DIRECTORS

Executive directors:

Ms. Tin Yuen Sin Carol *(Chairperson)*
Mr. Zhang Feng
Mr. Li Sai Ho
Mr. Lam Yat Ming
Mr. Fok Wai Ming Eddie

Non-executive director:

Mr. Yip Ying Chi Benjamin *(Vice Chairman)*

Independent non-executive directors:

Mr. Chan Wai Yip Freeman
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

AUDIT COMMITTEE

Mr. Chan Wai Yip Freeman *(Chairman)*
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

REMUNERATION COMMITTEE

Mr. Chan Wai Yip Freeman *(Chairman)*
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Hon Ming Sang

LEGAL ADVISORS

K&L Gates
Fairbairn Catley Low & Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2006-08, 20/F, Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

CONTACTS

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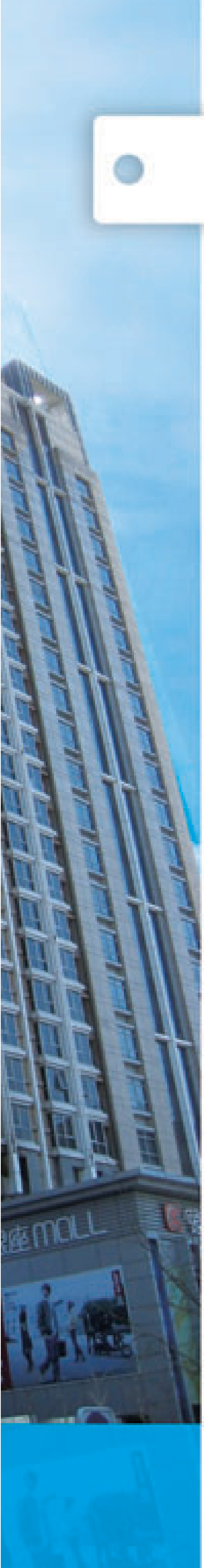
Facsimile: (852) 2877 5522
Website: www.orientalginza.com

CONTENTS

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Oriental Ginza Holdings Limited (the "Company"), I take pleasure to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

As the global financial crisis has intensified since the second half of 2008, governments and central banks of major countries undertake unprecedented intervention to stabilise the global and domestic financial systems. The Chinese economy is not immune from the crisis though the impacts are relatively less severe. In 2008, the Chinese economy had a growth rate of about 9% which represents the slowest in the past 5 years. Given the fact that the overall economic environment in China experienced a slow-down and that our Group's business operation is 100% based in China, we, being similar to many other counterparts, have faced great challenges too.

For the financial year ended 31 December 2008, the Group recorded a consolidated net loss of approximately HK$647.9 million compared to the profit of about HK$501.5 million for the last corresponding year. Our revenue for 2008 was HK$280.9 million, representing an increase of about HK$143.7 million or 104.7% when compared with 2007. The loss was primarily attributable to loss on fair value change in the Group's investment properties as well as impairment losses in respect of goodwill and other receivables. The basic loss per share for the year was HK$0.76. The Board does not recommend the payment of any final dividend for the 12 months ended 31 December 2008.

With the completion of the acquisition of Oriental Kenzo Plaza (東方銀座廣場) and Jing Gang City Plaza (京港城市廣場) in December 2007, the Group enjoyed the first full year contribution from these investment properties in 2008. Our asset portfolio possesses a significant retail and commercial components. The rental income for the financial year 2008 was approximately HK$205 million, representing about 73% of the Group's total revenue.

The Group continues to look for new opportunities to enhance its investment property portfolio, with a particular focus on premium retail and commercial premises. However, due to the severe dry-up of capital and credit markets, we did not take any aggressive move in acquiring assets during the year under review.

Our retail consultancy and management service recorded impressive results in both 2006 and 2007. However, in 2008, both the revenue and profit derived from this segment decreased significantly. There is room for improvement in customer flow and consumer spending levels at our managed retail premises. Operating tenants experienced difficulties in their business operation. In addition, due to the general economic downturn, clients became reluctant either to renew or engage in new service contracts with us. We expect the general performance in this area of our business operation will continue to be tough in the coming year.

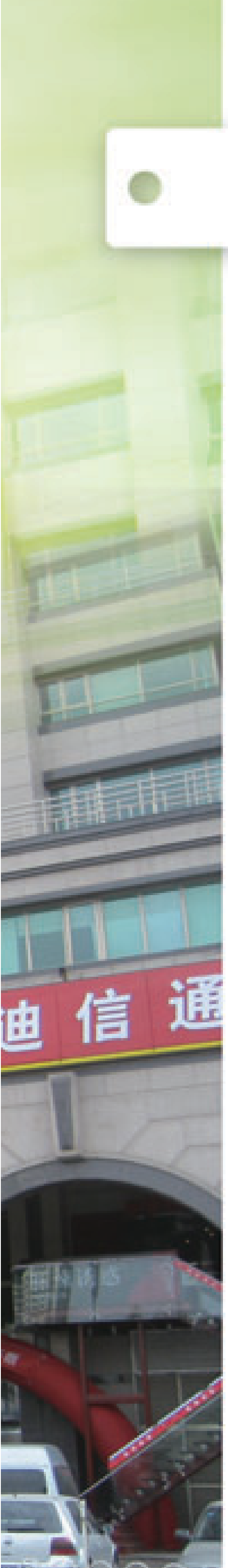
2009 is expected to be another challenging year with many uncertainties as the global economy will continue to be very difficult. The Chinese government has pledged to increase government spending as an active, direct and efficient way to aim for an economic growth of 8%. China is expected to run a RMB950 billion fiscal deficit budget this year, the highest in six decades. As highlighted by Premier Wen Jiabao at the opening of the 2nd session of China's 11th National People's Congress held in March 2009, one of the macro economic goals is to formulate a long-term growth strategy led mainly by domestic consumption rather than exports. We can anticipate that much of the growth in the coming years for China will hinge on domestic consumption.

We remain optimistic about the medium to long term prospect of the Chinese economy and particularly its retail industry given its huge domestic market and potential for growth. We will capitalise on the growth opportunities in China by following a disciplined approach to investment and development. We are confident that we are well-positioned and shall be able to emerge stronger from the storm.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our directors, senior management and staff for their dedicated service and contributions.

Tin Yuen Sin Carol
Chairperson
21 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

The principal businesses of the Group are investments in rental properties and retail-related consultancy and management services.

The Group's principal operation is located in Beijing of China.

On 6 December 2007 ("Completion Date"), the Group acquired the entire equity interests in each of Fortune International Business Limited ("FIB") and Sunny Sky Properties Limited ("SSP") and their respective shareholders' loans for a total cash consideration of HK$1.6 billion (the "FIB & SSP Acquisition"). Pursuant to the sale and purchase agreements, together with the supplemental deeds, totally approximately HK$480 million has been paid up to the Completion Date. In March 2008, the Group fully repaid the remaining consideration of approximately HK$1.12 billion out of the net proceed from a placement of 8,000,000,000 new shares of the Company.

FIB and SSP are investment holding companies and their respective subsidiaries are principally engaged in property investment and development as well as real estate management. Major assets owned by FIB and SSP groups include two commercial and residential complexes, namely Oriental Kenzo Plaza (東方銀座廣場) and Jing Gang City Plaza (京港城市廣場) at Shilipu (十里堡), in Beijing.

BUSINESS REVIEW

The global financial crisis in 2008 has swept many countries and caused setback for different businesses. This financial contagion spread to China in the second half of 2008, hitting particularly hard the export sector and the capital markets. Coupled with tightened credit market, natural disasters of snowstorms and Sichuan earthquake, property prices experienced the first time a material adjustment in this decade. For our Group, there were adverse effects to our business operation particularly to our retail-related consultancy and management service sector. For the financial year 2008, much of the Group's revenue was from rental income of our investment property portfolio. This was attributable to the components of our assets which comprise about 71% of retail and office space as well as the properties' prime locations in Beijing. The Board was pleased of this contribution from the investment properties as it demonstrated that the FIB & SSP Acquisition in 2007 brought positive contributions to the Group.

Property Investment

The Group's investment property portfolio comprising Oriental Kenzo Plaza (東方銀座廣場) and Jing Gang City Plaza (京港城市廣場) covers a total unsold area of about 136,900m^2, with 66,800m^2 or 48.8% of retail space, 30,500m^2 or 22.3% of office space, 21,900m^2 or 16% of residential apartments, 17,700m^2 or 12.9% of recreational and ancillary facilities as well as 1,174 car park spaces. Rental income for the financial year of 2008 amounted to approximately HK$205 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Oriental Kenzo Plaza (東方銀座廣場) is located at Dongzhimen (東直門) , Dong Cheng District (東城區) of East Second Ring area (東二環區) of Beijing, opposite to the Beijing Capital Airport Express Rail Terminal. The basement of the Oriental Kenzo Plaza's shopping mall is directly linked to Dongzhimen station of the Beijing Subway. The entire complex covers a site area of about 15,500m^2 with a total floor area of approximately 138,000m^2. The unsold floor area was about 62,800m^2 (retail space: 34,500m^2, offices: 21,300m^2, residential apartments: 7,000m^2 and 509 car parks). Rental occupancy rates were approximately 100% for retail space; 91% for offices; 53% for residential apartments; and majority of car parks were rented on an hourly rate basis.

Jing Gang City Plaza (京港城市廣場) at Shilipu (十里堡) is a large-scale property project comprising 3 different phases of development, namely Jing Gang City Plaza (京港城市廣場), International Metro Centre (都會國際) and The Metropolitan (都會華庭). It is located on Chao Yang Road (朝陽路), Chao Yang District (朝陽區) of East Fourth Ring area (東四環區) of Beijing. The entire complex covers a site area of about 68,700m^2 with a total floor area of 298,300m^2. The unsold floor area was about 74,100m^2 (retail space: 32,300m^2, offices: 9,200m^2, residential apartments: 14,900m^2, recreational and ancillary facilities: 17,700m^2 and 665 car parks. Rental occupancy rates were approximately 93% for retail space; 43% for offices; 92% for residential apartments; 100% for recreational and ancillary facilities; and majority of car parks were rented on an hourly rate basis.

Retail-Related Consultancy and Management Services

The Group offers comprehensive retail-related consultancy and management services to its clients, encompassing different service areas including development planning consultancy service for shopping malls advertising and promotion consultancy services and operation of retail premises and store management services. During the year under review, the Group managed a total floor area of approximately 41,000 m^2 of retail premises operated by individual operators under different business themes.

Total revenue from the Group's retail-related consultancy and management service sector were approximately HK$75.9 million for the financial year of 2008, representing a decrease of approximately HK$44.6 million or 37% when compared with 2007. The main reason for the decrease was due to reductions in number of service contracts, contract amounts and management fees.

FINANCIAL REVIEW

Financial Results

For the year ended 31 December 2008, the Group recorded a total revenue of approximately HK$280.9 million as compared with approximately HK$137.2 million last year, representing an increase of approximately 104.7%. The increase was mainly due to the full-year revenue contribution from FIB and SSP groups subsequent to the FIB & SSP Acquisition. Over the same period, the loss attributable to equity holders and loss per share were approximately HK$647.9 million and HK$0.76 respectively, representing a turnaround as compared with last year. The loss was mainly due to (i) the loss on fair value change of investment properties, (ii) the impairment loss in respect of goodwill and (iii) the impairment loss in respect of other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure, Liquidity and Financial Resources

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 9 January 2008, the authorised share capital of the Company was increased from HK$150,000,000 to HK$1,000,000,000 by the creation of an additional 42,500,000,000 ordinary shares of HK$0.02 each.

The Group's placing exercise commenced in December 2007 to raise funds for the FIB & SSP Acquisition ended successfully in March 2008. On 14 March 2008, the Company had completed, through a placing agent, the placing of an aggregate of 8,000,000,000 new shares of HK$0.02 each in the capital of the Company at a placing price of HK$0.15 each to independent third parties. The Company raised net proceeds of approximately HK$1,169.8 million which were used as to approximately HK$1,120 million for settlement of the outstanding debts of the FIB and SSP Acquisition and the remaining balance of approximately HK$49.8 million as general working capital of the Group.

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 2 June 2008, the Company consolidated every 10 issued and unissued shares of HK$0.02 each in the capital of the Company into one share of HK$0.20 each ("Share Consolidation"). Share Consolidation took effect on 3 June 2008 and after the Share Consolidation, the Company has HK$1,000,000,000 divided into 5,000,000,000 consolidated shares as authorised share capital and the number of consolidated shares then in issue is 965,542,931.

As at 31 December 2008, the current assets and current liabilities of the Group were approximately HK$873.9 million (2007: HK$850.9 million) and HK$783.4 million (2007: HK$1,770 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.1 times as compared to that of 0.5 times at the previous year end. The increase in liquidity ratio was mainly due to the completion of the share placement of 8,000,000,000 shares mentioned above.

The Group's total assets and total liabilities amounted to approximately HK$3,998.2 million (2007: HK$4,504.5 million) and HK$2,470.9 million (2007: HK$3,587.5 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was 0.6 as at 31 December 2008, as compared to that of 0.8 last year. The decrease in debt ratio was mainly due to the completion of the share placement of 8,000,000,000 shares mentioned above.

The cash and cash equivalents as at 31 December 2008 was approximately HK$17.7 million (2007: HK$59.9 million). The decrease was mainly attributable to the additions to property, plant and equipment and investment properties during the year.

As at 31 December 2008, the Group had bank borrowings of approximately HK$1,586.5 million (2007: HK$1,578.3 million) which was at similar as last year end. Out of the total outstanding bank borrowings, approximately HK$372.4 million are repayable within one year. The Group's gearing ratio, calculated as total interest bearing borrowings over total shareholders' funds, was 103.9% as at 31 December 2008 as compared to 172.1% on 31 December 2007. The decrease in gearing ratio was mainly due to the completion of the share placement of 8,000,000,000 shares mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2008, the authorised share capital of the Company was HK$1,000 million divided into 5,000,000,000 shares of HK$0.20 each and the issued share capital of the Company was approximately HK$193.1 million divided into 965,542,931 shares of HK$0.20 each.

The Group will have sufficient financial resources to fund its operations.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the Group entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2008, the Group's certain investment properties with carrying value of approximately HK$3,002.5 million and bank deposits of approximately HK$78.3 million were charged to secure bank borrowings and other banking facilities.

EMPLOYEE INFORMATION

As at 31 December 2008, the Group had a total of 78 employees. The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the year ended 31 December 2008, the total staff costs of the Group was approximately HK$17.5 million (2007: HK$9.3 million), representing an increase of approximately 88.2% over the previous year. The increase in staff costs was mainly attributable to the full year contribution from FIB & SSP groups subsequent to the FIB & SSP Acquisition.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Other staff benefits include discretionary performance-based bonus, medical scheme, share options and sales commission.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The effects of the financial crisis will continue to impact the world economy in the coming year. The Chinese government has implemented monetary and fiscal policies with the aim of reducing the risks of an economic downturn. Though there is some early sign of economic recovery in 2009, we continue to adopt a conservative approach towards our business. We are confident that the long-term growth prospects of China remain positive due to its solid fundamentals and growing underlying consumer demands. The Group is committed to build a solid platform for real estate related investments in China, which is able to bring sustainable growth and profit to its shareholders. Looking forward, we will remain cautious and will manage our business accordingly.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Tin Yuen Sin Carol, aged 43, joined the Board as an executive director on 1 September 2005 and was appointed Chairperson of the Board on 16 November 2006. Ms. Tin has extensive experience in Hong Kong - China trading business. She is responsible for the overall strategic planning and policy making for the Company as well as to develop cordial relationship with business associates in the commercial sector.

Mr. Zhang Feng, aged 41, joined the Board as an executive director on 15 June 2007. He is currently a director and the general manager of Oriental Kenzo (Beijing) Company Limited (東方銀座商業(北京)有限公司), Beijing Oriental Kenzo Investment Consultancy Limited (北京東方銀座商業投資顧問有限公司) and Beijing Oriental Kenzo Management Limited (北京東方銀座商業管理有限公司), all being indirectly wholly-owned subsidiaries of the Company. He possesses many years of experience in commercial estate development and is principally responsible for the commercial project planning of the Company, specialising in organisational management and decision making. He holds a bachelor degree in engineering and once held the positions of sales manager of the Beijing branch of a renowned United States company and as a regional sales director in Vancouver, Canada. He has concrete experiences in both Mainland China and overseas sales planning and management. He is responsible for the Group's business development in the PRC.

Mr. Li Sai Ho, aged 43, was appointed as an executive director with effect from 25 October 2007. He is currently a director and the general manager of an indirectly wholly-owned subsidiary of the Company. He has rich experience in international real estate planning, marketing and management for about 16 years. He had received an award in real estate marketing in Canada. He integrated the overseas professional experience in real estate development into the projects in the PRC and had received several awards. Mr. Li holds a Master Degree in Business Administration. He is responsible for the business development of the Company in the PRC.

Mr. Lam Yat Ming, aged 49, was appointed as an executive director with effect from 26 October 2006. Mr. Lam graduated from the University of Newcastle Upon Tyne (UK). Before joining the Company, he worked for different financial investment services corporations in Hong Kong, including Tung Tai Group of Companies, and was responsible for company administration and management. He possesses over 15 years of experience in the financial services industry including securities investment and also in the retail business.

Mr. Fok Wai Ming Eddie, aged 41, was appointed as an executive director of the Company with effect from 19 November 2007. Before joining the Company, Mr. Fok was chief financial officer of a listed company in Hong Kong. He has held senior management positions in a number of listed and unlisted companies in Hong Kong and possesses more than 10 years of extensive experience in business management, investment planning and financial controlling. Mr. Fok graduated from the University of Hong Kong with a bachelor degree of Science in Engineering and the University of Wolverhampton with a bachelor degree in laws. He is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Yip Ying Chi Benjamin, aged 45, was appointed as an executive director and chief executive officer of the Company with effect from 11 April 2008 and was re-designated as a non-executive director and appointed as vice chairman with effect from 4 December 2008. He has over 18 years' experience in investment banking and the financial industry. He has previously held senior positions in several local and international investment banking firms, including Managing Director of Baron Asia, Director of Investments at Merrill Lynch (Asia Pacific), Managing Director of Ka Wah Capital and Vice President at Societe Generale Asia. Mr. Yip graduated with an honor degree in Business Administration from the Chinese University of Hong Kong and MBA from The University of Hong Kong. He is a member of CPA Australia, a member of Association of Certified International Investment Analysts and a member of Hong Kong Securities Institute.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Yip Freeman, aged 45, was appointed as an independent non-executive director with effect from 26 October 2006. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong. He is a practicing certified public accountant and possesses over 20 years of professional experience in auditing and tax consultancy services.

Mr. Ng Ka Chung Simon, aged 52, was appointed as an independent non-executive director with effect from 28 February 2006. Mr. Ng has extensive experience in the legal field and is currently a Barrister-at-law.

Ms. Leung Po Ying Iris, aged 38, was appointed as an independent non-executive director with effect from 26 October 2006. Ms. Leung graduated with a BBA degree from the University of Hong Kong and received a MBA degree from the Hong Kong University of Science & Technology. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung is currently General Manager of Growth-Link Trade Services Company Limited, a trade services company in Hong Kong, and possesses over 14 years of professional and business experience in finance and investment services.

FINANCIAL CONTROLLER, COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Hon Ming Sang was appointed as the company secretary and qualified accountant of the Company with effect from 4 June 2008 and as the financial controller of the Group with effect from 1 July 2008. Mr. Hon graduated with an honor degree of Professional Accountancy in the School of Accountancy from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries, an associate member of the Institute of Chartered Secretaries and Administrators and a Certified Financial Analyst level III candidate. He has previously worked in an international audit firm and a listed company in Hong Kong and has extensive experience in auditing, taxation, investment and financial management services. He is currently a chief examiner of the Hong Kong Institute of Chartered Secretaries.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company has all along committed to fulfill its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures, including but not limited to the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), are established throughout the year ended 31 December 2008.

Throughout the year ended 31 December 2008, the Company meets all the code provisions as set out in the CG Code, except for the deviations summarised as follows:

CG Code		**Deviation and reason**
A.2.1	The roles of Chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual	During the year, the Company did not have officer with the title of CEO until 11 April 2008 when the Board has filled the vacancy of CEO by appointing Mr. Yip Ying Chi Benjamin ("Mr. Yip") as CEO. On 4 December 2008, Mr. Yip resigned as CEO when he was re-designated from executive director to non-executive director and appointed as vice chairman of the Company. During the period when there was no officer with the title of CEO since Mr. Yip's resignation, the CEO duties have been undertaken by the members of the Board. The Company is in process of identifying a suitable candidate as its CEO and will issue a further announcement in due course.

CORPORATE GOVERNANCE REPORT

RECTIFICATION OF DEVIATION FROM THE CG CODE

During the period when there was no officer with the title of CEO since Mr. Yip's resignation, the CEO duties have been undertaken by the members of the Board. The Company is in process of identifying a suitable candidate as its CEO and will issue a further announcement in due course.

BOARD OF DIRECTORS AND BOARD MEETING

Board Composition

The Board currently comprises five executive directors ("EDs"), namely Ms. Tin Yuen Sin Carol (Chairperson), Mr. Zhang Feng, Mr. Li Sai Ho, Mr. Lam Yat Ming and Mr. Fok Wai Ming Eddie, one non-executive director ("NED"), namely Mr. Yip Ying Chi Benjamin (Vice Chairman) and three independent non-executive directors ("INEDs"), namely Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris.

There is no service contract between the Company and each of the Directors. Each of the EDs and NED will be subject to retirement by rotation and re-election at least once every 3 financial years and all the INEDs will be subject to retirement and re-election every year, all at the annual general meeting.

The Company complies with Rule 3.10 of the Listing Rules that there is sufficient number of INEDs and each of them have appropriate professional qualifications. The Company has received from each of the INEDs, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent of the Company.

There is no financial, business, family or other material relationship between the Board members of the Company.

CORPORATE GOVERNANCE REPORT

OPERATION OF THE BOARD

The Board is responsible for directing the Group's objectives and strategies, monitoring the implementation and managing risks of the Group. Material matters are reserved for the Board's considerations. The Board has delegated the daily operational responsibilities to the management of the Company.

The Board held 17 meetings during the year ended 31 December 2008, of which 5 were full Board meetings and 12 were ED meetings, and the respective attendance of each director at the board meetings are set out as follows:

	Attendance	
	Full Board Meetings	**ED Meetings**
Executive Directors:		
Ms. Tin Yuen Sin Carol *(Chairperson)*	4/5	12/12
Mr. Zhang Feng	4/5	9/12
Mr. Li Sai Ho	5/5	9/12
Mr. Lam Yat Ming	5/5	12/12
Mr. Fok Wai Ming Eddie	5/5	12/12
Mr. Tse Pui To Dickson (Note 1)	1/2	5/5
Non-executive Director:		
Mr. Yip Ying Chi Benjamin *(Vice Chairman)* (Note 2)	3/4	7/7
Independent Non-executive Directors:		
Mr. Chan Wai Yip Freeman	5/5	N/A
Mr. Ng Ka Chung Simon	5/5	N/A
Ms. Leung Po Ying Iris	4/5	N/A

Notes:

(1) Resigned on 2 June 2008.
(2) Appointed as executive director and chief executive officer on 11 April 2008 and re-designated as non-executive director and vice chairman on 4 December 2008.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee of Company was established on 9 November 1999. The audit committee is chaired by Mr. Chan Wai Yip Freeman and its members are Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, who are all INEDs of the Company. The terms of reference of the audit committee had been complied since the establishment of the audit committee and the primary role and function of the audit committee are (i) reviewing and supervising the financial reporting system and internal control mechanism of the Company; (ii) monitoring the integrity of the financial statements of the Group; (iii) reviewing the compliance issues with the Listing Rules and other compliance requirements; and (iv) reviewing and consider the appointment of auditors and audit fee.

In 2008, the audit committee held 3 meetings and details of the attendance of each member of the committee are set out as follows:

Members:	**Attendance**
Mr. Chan Wai Yip Freeman	3/3
Mr. Ng Ka Chung Simon	3/3
Ms. Leung Po Ying Iris	3/3

During the year, the audit committee has reviewed and commented on each of the interim and annual financial reports of the Group, reviewed the Company's internal control, reviewed and approved the terms of engagement and remuneration of the external auditors, discussed with external auditors on the financial matters of the Group that arose during the course of the audit and made relevant recommendations to the management of the Company.

REMUNERATION COMMITTEE

The Company has maintained a remuneration committee throughout the year. The remuneration committee is chaired by Mr. Chan Wai Yip Freeman and its other members are Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. All the remuneration committee members are independent non-executive directors of the Company. The role and function of the remuneration committee are (i) making recommendations to the Board on the policies and structure for the remuneration of Directors; (ii) reviewing and approving the remuneration package of each director; (iii) reviewing and approving the performance-based remuneration; and (iv) engaging external professional advisors to assist and/or advise the remuneration committee on its duties when necessary and reasonable.

CORPORATE GOVERNANCE REPORT

In 2008, the remuneration committee held 1 meeting and details of the attendance of each member of the committee are set out as follows:

Members:	Attendance
Mr. Chan Wai Yip Freeman	1/1
Mr. Ng Ka Chung Simon	1/1
Ms. Leung Po Ying Iris	1/1

During the year, the remuneration committee has received and approved the remuneration package of each director.

NOMINATION OF DIRECTORS

No nomination committee was established by the Company, however, the Company has adopted a nomination policy for the criteria, procedures and process of appointment and removal of directors. Criteria for the selection of director include qualification, working experience and relevant provisions in the Listing Rules. Each of the directors shall possess high and professional standard of a set of core criteria of competence.

At the meeting held by the Board, with the presence of Ms. Tin Yuen Sin Carol, Mr. Yip Ying Chi Benjamin, Mr. Zhang Feng, Mr. Lam Yat Ming, Mr. Fok Wai Ming Eddie, Mr. Chan Wai Yip Freeman and Mr. Ng Ka Chung Simon, it was resolved that all the existing Directors shall be recommended to be retained by the Company. Moreover, with reference to the Bye-laws of the Company, and the code provision of code on corporate governance practices of the Listing Rules, Ms. Tin Yuen Sin Carol, Mr. Lam Yat Ming, Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

AUDITORS' REMUNERATION

Fee for audit services were HK$1,400,000 for the year ended 31 December 2008, which were charged to the Group's income statement. There was no non-audit services during the year.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has conducted a review over the effectiveness of the Group's internal control system, which covered the major aspects of financial, operational, compliance and risk management to ensure that appropriate levels of protection are in place. No significant areas of concern were identified. The Board was satisfied with the effectiveness of the Group's internal control procedures.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listing Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and all Directors have confirmed, that they have complied with the required standard as set out in the Model Code regarding the director's securities transactions adopted by the Company during the year ended 31 December 2008.

FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities of the directors for preparing the financial statements. The auditors' reporting responsibilities on the financial statements and other further details are set out in the auditors' report contained in this annual report.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited consolidated financial statements of Oriental Ginza Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 26. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements during the year in the investment properties of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2008 amounting to approximately HK$11.2 million (2007: approximately HK$35.6 million).

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive directors

Ms. Tin Yuen Sin Carol	
Mr. Zhang Feng	
Mr. Li Sai Ho	
Mr. Lam Yat Ming	
Mr. Fok Wai Ming Eddie	
Mr. Tse Pui To Dickson	(Resigned on 2 June 2008)

Non-executive director

Mr. Yip Ying Chi Benjamin	(Appointed as executive director on 11 April 2008 and re-designated as non-executive director on 4 December 2008)

Independent non-executive directors

Mr. Chan Wai Yip Freeman
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

The following directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company:

(i) Ms. Tin Yuen Sin Carol shall retire at least once every three years in accordance with the code provision of code on corporate governance practices ("CG Code") of the Listing Rules.

(ii) Mr. Lam Yat Ming, the executive Director, shall retire in accordance with the Bye-law 111(B) of the Bye-laws.

(iii) Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, the independent non-executive Directors, shall retire at the AGM in each year in accordance with their terms of office of directorship.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Company's share option scheme are set out in Note 32 to the consolidated financial statements.

Details of the Group's retirement benefit plans are set out in Note 30 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code, were as follows:

Long positions - Ordinary shares of HK$0.20 each of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Ms. Tin Yuen Sin Carol	Beneficial owner	25,958,000	2.69
	Held by a controlled corporation (Note)	53,155,135	5.50
		79,113,135	8.19

Note: At 31 December 2008, Ms. Tin Yuen Sin Carol was deemed to be interested in 53,155,135 ordinary shares of the Company through her 100% beneficial interest in Fit Top Investments Limited.

Save as disclosed above, as at 31 December 2008, none of the directors, chief executive and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors and the chief executive, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Ordinary shares of HK$0.20 each of the Company

Name	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Tin Yuen Sin Carol ("Ms. Tin")	(a) Beneficial Owner	(a) 25,958,000	(a) 2.69
	(b) Interest of controlled corporation (Note 1)	(b) 53,155,135	(b) 5.50
	(c) Total	(c) 79,113,135	(c) 8.19
Mr. Long Rui Ming ("Mr. Long")	Interest of controlled corporation (Note 2)	158,209,800	16.39
Mr. Kwok Lung ("Mr. Kwok")	(a) Beneficial Owner	(a) 47,000,000	(a) 4.87
	(b) Interest of controlled corporation (Note 3)	(b) 1,550,400	(b) 0.16
	(c) Total	(c) 48,550,400	(c) 5.03

Note 1: This interest is held by Fit Top Investments Limited of which Ms. Tin wholly owns the entire issued share capital. Pursuant to SFO, Ms. Tin is deemed to be interested in the shares held by Fit Top Investments Limited.

Note 2: This interest is held by Bold Merit International Limited of which Mr. Long wholly owns the entire issued share capital. Pursuant to SFO, Mr. Long is deemed to be interested in the shares held by Bold Merit International Limited.

Note 3: This interest is held by Yo Chen Limited (友堅有限公司) of which Mr. Kwok wholly owns the entire issued share capital. Pursuant to SFO, Mr. Kwok is deemed to be interested in the shares held by Yo Chen Limited (友堅有限公司).

Save as disclosed above, as at 31 December 2008, the Company has not been notified of any substantial shareholder who had any other relevant interests to be disclosed pursuant to Part XV of SFO.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHARITABLE DONATION

During the year under review, the Company made a charitable donation of HK$500,000 to Jet Li One Foundation Limited for the purpose of aiding the Sichuan earthquake relief.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 December 2008.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for less than 30% of the Group's total purchase.

The aggregate turnover attributable to the Group's five largest customers during the year comprised approximately 58% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 21%.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

AUDITORS

HLB Hodgson Impey Cheng were appointed as the Company's auditors with effect from 11 January 2007 of fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu on 14 December 2006. There have been no other changes of auditors for the past three financial years.

The consolidated financial statements of the Group for the year ended 31 December 2008 were audited by Messrs HLB Hodgson Impey Cheng.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

On behalf of the Board

Tin Yuen Sin Carol
Chairperson

21 April 2009

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

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

We have audited the consolidated financial statements of Oriental Ginza Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 81 which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

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

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

OPINION

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 21 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**280,889**	137,206
Other income and net gains	7	**14,959**	3,423
Operating lease rentals		**(36,512)**	(21,838)
Employee benefits expense		**(17,468)**	(9,286)
Depreciation of property, plant and equipment	15	**(8,122)**	(3,152)
Loss on fair value change of investment properties	16	**(516,654)**	(18)
Impairment loss in respect of goodwill	17	**(70,800)**	—
Impairment loss in respect of other receivables		**(196,192)**	—
Excess over the cost of a business combination	26	**—**	446,924
Finance costs	8	**(119,506)**	(18,663)
Other operating expenses		**(55,107)**	(27,044)
(Loss)/profit before tax		**(724,513)**	507,552
Income tax	9	**76,609**	(6,021)
(Loss)/profit for the year	10	**(647,904)**	501,531
Attributable to:			
Equity holders of the Company		**(647,904)**	501,531
Minority interests		**—**	—
		(647,904)	501,531
(Loss)/earnings per share			
Basic and diluted (HK$ per share)	14	**(0.76)**	3.40

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**48,284**	65,689
Investment properties	16	**3,075,941**	3,517,115
Goodwill	17	**—**	70,800
		3,124,225	3,653,604
Current assets			
Properties held for sale	18	**327,787**	—
Trade receivables	19	**70,652**	78,655
Prepayments, deposits and other receivables		**357,372**	615,723
Pledged bank deposits	20	**78,259**	74,371
Bank balances and cash	20	**39,858**	82,123
		873,928	850,872
Total assets		**3,998,153**	4,504,476
Current liabilities			
Trade payables	21	**188,491**	111,330
Accrued liabilities and other payables	21	**188,960**	222,090
Purchase consideration payable	22	**—**	1,120,000
Taxation payable		**33,631**	27,291
Bank borrowings, secured	23	**372,350**	289,266
		783,432	1,769,977
Net current assets/(liabilities)		**90,496**	(919,105)
Total assets less current liabilities		**3,214,721**	2,734,499

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	25	**193,109**	33,109
Share premium and reserves		**1,334,188**	883,838
Equity attributable to equity holders of the Company		**1,527,297**	916,947
Minority interests		**2**	2
Total equity		**1,527,299**	916,949
Non-current liabilities			
Bank borrowings, secured	23	**1,214,172**	1,289,018
Deferred tax liabilities	24	**473,250**	528,532
		1,687,422	1,817,550
		3,214,721	2,734,499

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 April 2009 and were signed on its behalf by:

Tin Yuen Sin Carol
Director

Fok Wai Ming Eddie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000 Note (a)	Contributed surplus HK$'000 Note (b)(c)	Convertible loan notes equity reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 Note (d)	Retained profits/ (Accumulated losses) HK$'000	Reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	33,109	420,456	9,404	–	17,466	21,773	414,739	883,838	2	916,949
Loss for the year	–	–	–	–	–	–	(647,904)	(647,904)	–	(647,904)
Exchange differences arising on translation of foreign operations and total income recognised directly in equity	–	–	–	–	113,558	–	–	113,558	–	113,558
Total recognised income and expenses for the year	–	–	–	–	113,558	–	(647,904)	(534,346)	–	(534,346)
Issue of new shares	160,000	1,040,000	–	–	–	–	–	1,040,000	–	1,200,000
Share issue expenses	–	(30,200)	–	–	–	–	–	(30,200)	–	(30,200)
Transfer from retained profits	–	–	–	–	–	1,399	(1,399)	–	–	–
Final dividends paid in respect of the year ended 31 December 2007	–	–	–	–	–	–	(25,104)	(25,104)	–	(25,104)
At 31 December 2008	**193,109**	**1,430,256**	**9,404**	**–**	**131,024**	**23,172**	**(259,668)**	**1,334,188**	**2**	**1,527,299**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000 Note (a)	Contributed surplus HK$'000 Note (b)(c)	Convertible loan notes equity reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 Note (d)	Retained profits/ (Accumulated losses) HK$'000	Reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	21,851	179,008	201,971	32,946	9,711	15,071	(281,250)	157,457	–	179,308
Profit for the year	–	–	–	–	–	–	501,531	501,531	–	501,531
Exchange differences arising on translation of foreign operations and total income recognised directly in equity	–	–	–	–	7,755	–	–	7,755	–	7,755
Total recognised income and expenses for the year	–	–	–	–	7,755	–	501,531	509,286	–	509,286
Issue of shares upon conversion of convertible loan notes	9,258	215,859	–	(24,353)	–	–	–	191,506	–	200,764
Release on redemption of convertible loan notes	–	–	–	(8,593)	–	–	8,593	–	–	–
Issue of subscription shares	2,000	26,000	–	–	–	–	–	26,000	–	28,000
Share issue expenses	–	(411)	–	–	–	–	–	(411)	–	(411)
Minority interests arising on business combination	–	–	–	–	–	–	–	–	2	2
Transfer to retained profits	–	–	(192,567)	–	–	–	192,567	–	–	–
Transfer from retained profits	–	–	–	–	–	6,702	(6,702)	–	–	–
At 31 December 2007	33,109	420,456	9,404	–	17,466	21,773	414,739	883,838	2	916,949

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

Notes:

(a) Under the Companies Act 1981 of Bermuda (as amended), the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(b) The contributed surplus of the Group represented the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write off the accumulated losses.

(c) Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

  (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

  (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(d) The People's Republic of China (the "PRC") statutory reserves consist of a reserve fund and an expansion fund provided in accordance with the articles of association of the PRC subsidiaries. Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after tax, prepared in accordance with the PRC rules and regulations, an annual amount to the reserve fund and expansion fund according to the decision of the board or the articles of association.

  The reserve fund is to be used to expand the working capital of the PRC subsidiaries. When the PRC subsidiaries suffer losses, the reserve fund may be used to make up accumulated losses under special circumstances.

  The expansion fund is to be used for business expansion and, if approved, can also be used to increase the capital of the PRC subsidiaries.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss)/profit for the year		**(647,904)**	501,531
Adjustments for:			
Income tax		**(76,609)**	6,021
Interest income		**(1,387)**	(1,876)
Finance costs		**119,506**	18,663
Excess over the cost of a business combination		**–**	(446,924)
Depreciation of property, plant and equipment		**8,122**	3,152
Loss on fair value change of investment properties		**516,654**	18
Impairment loss in respect of goodwill		**70,800**	–
Impairment loss in respect of trade receivables		**–**	1,828
Impairment loss in respect of other receivables		**196,192**	–
Gain on disposal of property, plant and equipment		**(12)**	(3)
Operating cash flows before movements in working capital		**185,362**	82,410
Movements in working capital:			
Trade receivables		**8,003**	58,772
Prepayments, deposits and other receivables		**62,159**	410,433
Trade payables		**(7,687)**	(14,766)
Accrued liabilities and other payables		**(33,130)**	(32,553)
Amount due to a director		**–**	(1,237)
Cash generated by operations		**214,707**	503,059
Income taxes paid		**(5,937)**	(4,606)
Net cash generated by operating activities		**208,770**	498,453
Investing activities			
Interest received		**1,387**	7,744
Proceeds from disposal of property, plant and equipment		**22**	9
(Increase)/Decrease in pledged bank deposits		**(3,888)**	234
Additions to property, plant and equipment		**(108,020)**	(3,009)
Additions to investment properties		**(4,115)**	–
Proceeds from disposal of investment properties		**14,854**	129
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	26	**(1,120,000)**	(484,318)
Disposal of subsidiaries in a prior year (net of cash and cash equivalents disposed)		**–**	100,590
Net cash used in investing activities		**(1,219,760)**	(378,621)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Financing activities			
Payment for redemption of convertible loan notes		**–**	(78,000)
Interest paid		**(119,506)**	(11,398)
Proceeds from issue of ordinary shares		**1,200,000**	28,000
Dividends paid to equity holders of the Company		**(25,104)**	–
Repayment of bank borrowings		**(88,296)**	(21,932)
Proceeds from bank borrowings		**–**	14,980
Payment for share issue expenses		**(30,200)**	(411)
Net cash generated by/(used in) financing activities		**936,894**	(68,761)
Net (decrease)/increase in cash and cash equivalents		**(74,096)**	51,071
Cash and cash equivalents at the beginning of the financial year		**59,930**	1,671
Effects of exchange rate changes		**31,826**	7,188
Cash and cash equivalents at the end of the financial year		**17,660**	59,930
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		**39,858**	82,123
Bank overdrafts		**(22,198)**	(22,193)
Cash and cash equivalents		**17,660**	59,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL

Oriental Ginza Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business in Hong Kong is situated at Suites 2006-08, 20/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property investment business and retail-related consultancy and management services business in the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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

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

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs include freehold and leasehold land cost, development cost, borrowing costs and other direct costs attributable to such properties, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent depreciation and impairment losses. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

Properties under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the prepaid lease payments in respect of the leasehold land is capitalised as part of the costs of the properties under development. Properties under development are carried at cost, less any identified impairment losses.

Properties under development which are intended to be held for own use or their investment potential are shown as non-current assets.

Properties under development which are intended to be held for sale are shown as current assets.

Leasing (the Group as lessee)

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. To the extent that fixed-rated bank borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflected the hedged interest rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group designated certain debt securities as held-to-maturity investments. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including bank borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

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

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

Provisions

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

Revenue recognition

Property rental income is recognised on a straight-line basis over the terms of the relevant leases.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Share options granted to suppliers

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustments have been made to equity (share options reserve).

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are 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:

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(b) Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(c) Valuation of investment properties

As described in Note 16, the investment properties were revalued by independent professional valuers on a market value basis at each balance sheet date. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the Group's results in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2008	2007
	HK$'000	HK$'000
Property rental income	**205,005**	16,712
Income from retail-related consultancy and management services	**75,884**	120,494
	280,889	137,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions — (i) property investment business; and (ii) retail-related consultancy and management services business. These divisions are the basis on which the Group reports its primary segment information.

Year ended 31 December 2008

	Property investment business HK$'000	Retail-related consultancy and management services business HK$'000	**Consolidated** HK$'000
REVENUE			
External sales	205,005	75,884	280,889
RESULTS			
Segment results	(547,919)	(50,853)	(598,772)
Finance costs			(119,506)
Unallocated income			8,554
Unallocated corporate expenses			(14,789)
Loss before tax			(724,513)
Income tax			76,609
Loss for the year			(647,904)
BALANCE SHEET			
ASSETS			
Segment assets	3,904,711	80,809	3,985,520
Unallocated corporate assets			12,633
Consolidated total assets			3,998,153
LIABILITIES			
Segment liabilities	304,384	70,358	374,742
Unallocated corporate liabilities			2,096,112
Consolidated total liabilities			2,470,854
OTHER INFORMATION			
Capital expenditure	196,907	76	196,983
Depreciation of property, plant and equipment	5,417	2,705	8,122
Impairment loss in respect of goodwill	—	70,800	70,800
Impairment loss in respect of other receivables	196,192	—	196,192
Net foreign exchange gains	(15)	—	(15)
Gain on disposal of property, plant and equipment	(12)	—	(12)
Loss on fair value change of investment properties	516,654	—	516,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2007

	Property investment business HK$'000	Retail-related consultancy and management services business HK$'000	**Consolidated** HK$'000
REVENUE			
External sales	16,712	120,494	137,206
RESULTS			
Segment results	460,190	74,837	535,027
Finance costs			(18,663)
Unallocated income			1,725
Unallocated corporate expenses			(10,537)
Profit before tax			507,552
Income tax			(6,021)
Profit for the year			501,531
BALANCE SHEET			
ASSETS			
Segment assets	4,333,352	158,645	4,491,997
Unallocated corporate assets			12,479
Consolidated total assets			4,504,476
LIABILITIES			
Segment liabilities	239,857	72,994	312,851
Unallocated corporate liabilities			3,274,676
Consolidated total liabilities			3,587,527
OTHER INFORMATION			
Capital expenditure	3,575,248	1,374	3,576,622
Depreciation of property, plant and equipment	649	2,503	3,152
Impairment loss in respect of trade receivables	—	1,828	1,828
Net foreign exchange losses	291	—	291
Gain on disposal of property, plant and equipment	—	(3)	(3)
Excess over the cost of a business combination	(446,924)	—	(446,924)
Loss on fair value change of investment properties	18	—	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group operates in two principal geographical areas — the PRC (excluding Hong Kong) and Hong Kong. The following table provides an analysis of the Group's sales by geographical markets, the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets (analysed by the geographical area in which the assets are located):

Year ended 31 December 2008	**PRC**	**Hong Kong**	**Total**
	HK$'000	HK$'000	HK$'000
Segment revenue	280,889	—	280,889
Segment assets	3,940,019	58,134	3,998,153
Capital expenditure	196,983	—	196,983

Year ended 31 December 2007	**PRC**	**Hong Kong**	**Total**
	HK$'000	HK$'000	HK$'000
Segment revenue	137,206	—	137,206
Segment assets	4,354,399	150,077	4,504,476
Capital expenditure	3,574,997	1,625	3,576,622

7. OTHER INCOME AND NET GAINS

	2008	2007
	HK$'000	HK$'000
Interest income on bank deposits	**1,387**	1,876
Gain on disposal of property, plant and equipment	**12**	3
Net foreign exchange gains/(losses)	**15**	(291)
Others	**13,545**	1,835
	14,959	3,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on bank borrowings:		
— wholly repayable within five years	**90,610**	8,159
— not wholly repayable within five years	**28,896**	3,239
Loss on early redemption of convertible loan notes	**—**	1,997
Effective interest expense on convertible loan notes	**—**	5,268
	119,506	18,663

9. INCOME TAX

	2008	2007
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax	**10,525**	6,032
Deferred tax (Note 24)**:**	**(87,134)**	(11)
Tax (credit)/charge for the year	**(76,609)**	6,021

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced the rate of corporate profits tax ("Profits tax") from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2007: 33%).

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate of the PRC subsidiaries from 33% to 25% from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

9. INCOME TAX *(Continued)*

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit before tax	**(724,513)**	507,552
Tax at PRC Enterprise Income Tax rate of 25% (2007: 33%)	**(181,128)**	167,492
Tax effect of income not taxable for tax purpose	**(70,432)**	(165,517)
Tax effect of expenses not deductible for tax purpose	**174,951**	4,046
Tax (credit)/charge for the year	**(76,609)**	6,021

10. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after charging:

	2008 HK$'000	2007 HK$'000
Impairment loss in respect of trade receivables		
(included in other operating expenses)	**—**	1,828
Impairment loss in respect of other receivables (Note)	**196,192**	—
Auditors' remuneration	**1,400**	1,410
Operating lease rentals in respect of premises		
— Minimum lease payments	**36,512**	21,838
— Contingent rentals	**—**	—
	36,512	21,838
Employee benefits expense (including directors' emoluments)		
— Salaries and other benefits	**17,142**	8,894
— Contributions to retirement benefits schemes	**326**	392
	17,468	9,286

Note: For the year ended 31 December 2008, the Group has provided for those receivables with evidence indicating that the receivables may not be fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company were as follows:

For the year ended 31 December 2008	Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Ms. Tin Yuen Sin Carol	—	1,653	12	1,665
Mr. Zhang Feng	—	298	—	298
Mr. Li Sai Ho	—	328	—	328
Mr. Tse Pui To Dickson (Note (a))	—	60	—	60
Mr. Lam Yat Ming	—	756	40	796
Mr. Fok Wai Ming Eddie	—	910	42	952
Non-executive director				
Mr. Yip Ying Chi Benjamin (Note (b))	27	1,242	9	1,278
Independent non-executive directors				
Mr. Chan Wai Yip Freeman	118	—	—	118
Mr. Ng Ka Chung Simon	134	—	—	134
Ms. Leung Po Ying Iris	118	—	—	118
	397	5,247	103	5,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2007	Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Ms. Tin Yuen Sin Carol	—	1,327	12	1,339
Mr. Zhang Feng (Note (c))	—	254	—	254
Mr. Li Sai Ho (Note (d))	—	158	—	158
Mr. Tse Pui To Dickson	—	82	—	82
Mr. Lam Yat Ming	—	546	28	574
Mr. Fok Wai Ming Eddie (Note (e))	—	140	7	147
Mr. Choi Chiu Fai Stanley (Note (f))	—	531	27	558
Mr. Chan Hon Ming Alan (Note (g))	—	459	11	470
Independent non-executive directors				
Mr. Chan Wai Yip Freeman	82	—	—	82
Mr. Ng Ka Chung Simon	66	—	—	66
Ms. Leung Po Ying Iris	82	—	—	82
	230	3,497	85	3,812

Notes:

(a) Mr. Tse Pui To Dickson resigned as an executive director on 2 June 2008.

(b) Mr. Yip Ying Chi Benjamin was appointed as an executive director on 11 April 2008 and was re-designated as a non-executive director on 4 December 2008.

(c) Mr. Zhang Feng was appointed as an executive director on 15 June 2007.

(d) Mr. Li Sai Ho was appointed as an executive director on 25 October 2007.

(e) Mr. Fok Wai Ming Eddie was appointed as an executive director on 19 November 2007.

(f) Mr. Choi Chiu Fai Stanley resigned as an executive director on 25 October 2007.

(g) Mr. Chan Hon Ming Alan resigned as an executive director on 19 November 2007.

During both years, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments are disclosed in Note 11 above. The emoluments of the remaining one (2007: one) individual were as follow:

	2008 **HK$'000**	2007 HK$'000
Salaries, allowances and benefits in kind	**566**	533
Contributions to retirement benefits schemes	**27**	27
	593	560

13. DIVIDENDS

The final dividends in respect of the year ended 31 December 2007 of HK$0.0026 per share in a total amount of approximately HK$25,104,000 were proposed by the directors on 21 April 2008 and were subsequently approved by the Company's shareholders at the annual general meeting held on 2 June 2008.

14. (LOSS)/EARNINGS PER SHARE

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

	2008 **HK$'000**	2007 HK$'000
(Loss)/Earnings for the purpose of calculating basic and diluted (loss)/earnings per share		
(Loss)/Profit for the year	**(647,904)**	501,531

Number of shares

	2008	2007 (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**850,474,438**	147,314,756

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2007 has been retrospectively adjusted for the effect of the Share Consolidation which took effect on 3 June 2008 (Note 25(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2007	–	–	8,398	538	2,899	–	11,835
Exchange adjustments	–	–	588	38	202	–	828
Additions	–	–	1,345	–	101	1,563	3,009
Acquired on acquisition of subsidiaries (Note 26)	22,588	20,989	604	–	3,102	9,068	56,351
Disposals	–	–	–	(9)	–	–	(9)
At 31 December 2007	22,588	20,989	10,935	567	6,304	10,631	72,014
Exchange adjustments	2,372	1,313	646	34	917	1,121	6,403
Additions	–	98,867	–	–	110	9,043	108,020
Transfer to investment properties	–	(121,169)	–	–	–	–	(121,169)
Disposals	–	–	–	–	(22)	–	(22)
At 31 December 2008	24,960	–	11,581	601	7,309	20,795	65,246
DEPRECIATION AND IMPAIRMENT							
At 1 January 2007	–	–	1,003	377	1,535	–	2,915
Exchange adjustments	4	–	106	28	119	4	261
Provided for the year	191	–	1,891	96	622	352	3,152
Eliminated on disposals	–	–	–	(3)	–	–	(3)
At 31 December 2007	195	–	3,000	498	2,276	356	6,325
Exchange adjustments	1,003	–	213	34	689	588	2,527
Provided for the year	2,441	–	2,477	24	1,339	1,841	8,122
Eliminated on disposals	–	–	–	–	(12)	–	(12)
At 31 December 2008	3,639	–	5,690	556	4,292	2,785	16,962
CARRYING AMOUNTS							
At 31 December 2008	21,321	–	5,891	45	3,017	18,010	48,284
At 31 December 2007	22,393	20,989	7,935	69	4,028	10,275	65,689

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 2-5%
Leasehold improvements	Over the shorter of the term of the lease or 10%
Plant and machinery	7 to 10 years
Furniture, fixtures and equipment	10-33.33%
Motor vehicles	10-20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
Acquired on acquisition of subsidiaries (Note 26)	3,517,262
Disposals	(129)
Net decrease in fair value	(18)
At 31 December 2007	3,517,115
Additions	88,963
Transfer from construction in progress	121,169
Disposals	(14,854)
Transfer to properties held for sale	(327,787)
Exchange adjustments	207,989
Net decrease in fair value	(516,654)
At 31 December 2008	**3,075,941**

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

The fair value of the Group's investment properties at 31 December 2008 and 2007 was arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. Vigers Appraisal & Consulting Limited had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties, was made on the basis of market value.

At 31 December 2008, certain of the Group's investment properties with carrying values of approximately HK$3,002,490,000 (2007: HK$3,076,077,000) have been pledged to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

16. INVESTMENT PROPERTIES *(Continued)*

The carrying amount of investment properties shown above comprises:

	2008 HK$'000	2007 HK$'000
Land in Hong Kong:		
Medium-term lease	**45,000**	54,600
Land outside Hong Kong:		
Long lease	**186,065**	420,490
Medium-term lease	**2,844,876**	3,042,025
	3,075,941	3,517,115

17. GOODWILL

	HK$'000
COST	
At 1 January 2007, 31 December 2007 and 2008	215,681
IMPAIRMENT	
At 1 January 2007 and 31 December 2007	144,881
Impairment loss recognised	70,800
At 31 December 2008	215,681
CARRYING AMOUNTS	
At 31 December 2008	–
At 31 December 2007	70,800

Goodwill is allocated to the Group's cash-generating unit ("CGU") which is principally engaged in retail-related consultancy and management services business in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. GOODWILL *(Continued)*

The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are ignored. The key assumptions used for the cash flow projections include budgeted revenue and budgeted expenses during the forecasting periods, which are determined by management based on past performance and its expectation of market development. No growth rate has been taken into account in the cash flow projections as the Group considers that the growth rate cannot be reliably estimated. All cash flows are discounted at a discount rate of 7.8% (2007: 10%) per annum which reflects the specific risks relating to this CGU.

The impairment charge arose due to a reassessment of the recoverable amount of the CGU of provision of retail-related consultancy and management services business in the PRC as a result of the recent general downturn in the business markets.

18. PROPERTIES HELD FOR SALE

	2008 **HK$'000**	2007 HK$'000
Properties situated in the PRC	**327,787**	—

19. TRADE RECEIVABLES

Trade receivables comprise (i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements; (ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and (iii) receivables arising from provision of services which are due for settlement in accordance with the terms of the related service agreements.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the balance sheet date:

	2008 **HK$'000**	2007 HK$'000
0 — 30 days	**13,597**	7,926
31 — 60 days	**3,369**	4,802
61 — 90 days	**3,113**	20,101
Over 90 days	**50,573**	45,826
	70,652	78,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

19. TRADE RECEIVABLES *(Continued)*

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$50,573,000 (2007: HK$45,826,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss as the Group has collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	HK$'000
Over 90 days	**50,573**	45,826

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**6,915**	5,087
Impairment loss recognised on trade receivables	**–**	1,828
Balance at end of the year	**6,915**	6,915

20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits and bank balances carried interest at prevailing market rates. Included in pledged bank deposits and bank balances of the Group were amounts of approximately HK$113,722,000 (2007: HK$145,979,000) which were denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the Mainland China is subject to exchange restrictions imposed by the Mainland China government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. TRADE AND OTHER PAYABLES

Trade payables, accrued liabilities and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

The following is an aged analysis of trade payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
0 — 30 days	**79,887**	—
31 — 60 days	**—**	49
61 — 90 days	**—**	214
Over 90 days	**108,604**	111,067
	188,491	111,330

22. PURCHASE CONSIDERATION PAYABLE

On 6 December 2007, the Group acquired the entire equity interests in each of Fortune International Business Limited ("FIB") and Sunny Sky Properties Limited ("SSP") and their respective shareholders' loans for a total cash consideration of HK$1,600,000,000. Further details relating to the acquisition of FIB and SSP are disclosed in Note 26.

As of 31 December 2007, the Group had paid cash consideration of HK$480,000,000 and was committed to pay the remaining balance of the cash consideration of HK$1,120,000,000. The balance was fully settled during the year ended 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

23. BANK BORROWINGS, SECURED

	2008 HK$'000	2007 HK$'000
Bank overdrafts	**22,198**	22,193
Bank loans	**1,564,324**	1,556,091
	1,586,522	1,578,284
Denominated in:		
Hong Kong dollars	**27,234**	27,483
Renminbi	**1,559,288**	1,550,801
	1,586,522	1,578,284
Carrying amount repayable:		
On demand or within one year	**372,350**	289,266
More than one year, but not exceeding two years	**202,002**	777,277
More than two years but not more than five years	**839,766**	268,334
More than five years	**172,404**	243,407
	1,586,522	1,578,284
Less: Amounts due within one year shown under current liabilities	**(372,350)**	(289,266)
	1,214,172	1,289,018

At 31 December 2008 and 2007, the Hong Kong dollar denominated bank overdrafts bore interest at Prime rate and the Hong Kong dollar denominated bank loans bore interest at Prime rate less 2.5%. The Renminbi denominated bank loans bore interest at 6.8%-7.99% per annum or the prevailing interest rate of the People's Bank of China or the prevailing interest rate of the People's Bank of China less 5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

23. BANK BORROWINGS, SECURED *(Continued)*

At 31 December 2008, the Group's bank borrowings and other banking facilities were secured by:

(i) pledge of the Group's certain investment properties with carrying values of approximately HK$3,002,490,000 (2007: HK$3,076,077,000);

(ii) pledged bank deposits of approximately HK$78,259,000 (2007: HK$74,371,000);

(iii) personal guarantee given by a director of certain subsidiaries; and

(iv) mortgage over certain properties owned by a related company and a director of certain subsidiaries.

24. DEFERRED TAXATION

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

Deferred tax liabilities:	**Revaluation of properties** HK$'000
Acquisition of subsidiaries (Note 26)	528,543
Credited to consolidated income statement	(11)
At 31 December 2007	528,532
Exchange adjustments	31,852
Credited to consolidated income statement	(87,134)
At 31 December 2008	**473,250**

At the balance sheet date, the Group has unused tax losses of approximately HK$67,816,000 (2007: HK$55,214,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

25. SHARE CAPITAL

	Notes	Ordinary shares	Amount HK$'000
Authorised:			
At 1 January 2007		3,000,000,000	60,000
Increase in authorised share capital	(a)	4,500,000,000	90,000
Ordinary shares of HK$0.02 each at 31 December 2007		7,500,000,000	150,000
Increase in authorised share capital	(b)	42,500,000,000	850,000
Share Consolidation	(c)	(45,000,000,000)	—
Ordinary shares of HK$0.20 each at 31 December 2008		**5,000,000,000**	**1,000,000**
Issued and fully paid:			
At 1 January 2007		1,092,526,145	21,851
Issue of subscription shares	(d)	100,000,000	2,000
Issue of shares upon conversion of convertible loan notes	(e)	462,903,167	9,258
Ordinary shares of HK$0.02 each at 31 December 2007		1,655,429,312	33,109
Issue of placing shares	(f)	8,000,000,000	160,000
Share Consolidation	(c)	(8,689,886,381)	—
Ordinary shares of HK$0.20 each at 31 December 2008		**965,542,931**	**193,109**

Notes:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 15 October 2007, the authorised share capital of the Company was increased from HK$60,000,000 to HK$150,000,000 by the creation of an additional 4,500,000,000 ordinary shares of HK$0.02 each.

(b) Increase in authorised share capital

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 9 January 2008, the authorised share capital of the Company was increased from HK$150,000,000 to HK$1,000,000,000 by the creation of an additional 42,500,000,000 ordinary shares of HK$0.02 each.

(c) Share consolidation

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 2 June 2008, every 10 ordinary shares of HK$0.02 each in the issued and unissued share capital of the Company were consolidated into 1 consolidated share of HK$0.20 each (the "Share Consolidation"). The Share Consolidation took effect on 3 June 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

25. SHARE CAPITAL *(Continued)*

(d) Issue of subscription shares

On 9 February 2007, Fit Top Investments Limited ("Fit Top"), a substantial shareholder of the Company which is wholly-owned by a director of the Company, entered into a placing agreement and a top-up subscription agreement with a placing agent and the Company respectively. Pursuant to the placing agreement, Fit Top placed through the placing agent an aggregate of 100,000,000 existing shares in the capital of the Company to independent third parties at a price of HK$0.28 per share. Pursuant to the top-up subscription agreement, Fit Top subscribed for an aggregate of 100,000,000 new shares in the capital of the Company at a price of HK$0.28 per share, raising net proceeds of approximately HK$27,500,000 which had been applied as general working capital of the Group.

(e) Conversion of convertible loan notes

(i) In May 2007, convertible loan note with outstanding principal amount of HK$30,000,000 was converted at the conversion price of HK$0.45 per share, resulting in the issue of 66,666,667 ordinary shares of HK$0.02 each.

(ii) In May 2007, convertible loan note with outstanding principal amount of HK$178,306,425 was converted at the conversion price of HK$0.45 per share, resulting in the issue of 396,236,500 ordinary shares of HK$0.02 each.

(f) Issue of placing shares

On 14 March 2008, the Company completed, through the placing agent, the placing of an aggregate of 8,000,000,000 new shares of HK$0.02 each in the capital of the Company at a placing price of HK$0.15 each to independent third parties. The Company raised net proceeds of approximately HK$1,169,800,000 which were used as to approximately HK$1,120,000,000 for the settlement of the outstanding debts and the remaining balance of approximately HK$49,800,000 as general working capital of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

26. ACQUISITION OF SUBSIDIARIES

On 6 December 2007, the Group acquired the entire equity interests in each of FIB and SSP and their respective shareholders' loans for a total cash consideration of HK$1,600,000,000. The net assets acquired in the transaction and the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination arising were as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Investment properties	3,517,262	—	3,517,262
Property, plant and equipment	43,812	12,539	56,351
Trade receivables	59,468	—	59,468
Prepayments, deposits and other receivables	683,352	—	683,352
Pledged bank deposits	74,605	—	74,605
Bank balances and cash	22,741	—	22,741
Trade payables	(114,509)	—	(114,509)
Accrued liabilities and other payables	(145,676)	—	(145,676)
Bank loans	(1,543,043)	—	(1,543,043)
Bank overdrafts	(22,029)	—	(22,029)
Taxation payable	(8,023)	—	(8,023)
Deferred tax liabilities	(525,409)	(3,134)	(528,543)
			2,051,956
Minority interests	(2)	—	(2)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination			(446,924)
			1,605,030
Total consideration satisfied by:			
Costs directly attributable to the acquisition			5,030
Cash consideration paid during the year ended 31 December 2007 (Note 22)			480,000
Cash consideration payable as of 31 December 2007 and paid during the year ended 31 December 2008 (Note 22)			1,120,000
			1,605,030
Net cash outflow arising on acquisition of subsidiaries in respect of the year ended 31 December 2007:			
Cash consideration paid			(485,030)
Bank balances and cash acquired			712
			(484,318)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt (which includes bank borrowings), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

Net debt to equity ratio

The Group's management reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the year end was as follows:

	2008 HK$'000	2007 HK$'000
Debt (i)	**1,586,522**	1,578,284
Cash and cash equivalents	**(39,858)**	(82,123)
Net debt	**1,546,664**	1,496,161
Equity (ii)	**1,527,299**	916,949
Net debt to equity ratio	**101%**	163%

(i) Debt comprises bank borrowings as detailed in Note 23.

(ii) Equity includes all capital and reserves of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables		
— Trade receivables	**70,652**	78,655
— Other receivables	**352,269**	613,536
— Pledged bank deposits	**78,259**	74,371
— Bank balances and cash	**39,858**	82,123
Financial liabilities		
Amortised cost		
— Trade payables	**188,491**	111,330
— Accrued liabilities and other payables	**171,107**	200,008
— Bank borrowings, secured	**1,586,522**	1,578,284
— Purchase consideration payable	**—**	1,120,000

(b) Financial risk management objectives and policies

The Group's major financial instruments include bank balances, pledged bank deposits, trade and other receivables, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Currency risk

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the group entity making the sales or incurring the costs. Accordingly, the directors consider that the currency risk is not significant.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

Price risk

As the Group has no significant investments, the Group is not subject to significant price risk.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see Note 23 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing interest rate of the People's Bank of China arising from the Group's Renminbi denominated bank borrowings.

The Group currently does not have a formal interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease by approximately HK$7,933,000 (2007: HK$4,938,000).

Credit risk

At 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2008					
Non-derivative financial liabilities					
Trade payables	188,491	–	–	188,491	188,491
Accrued liabilities and other payables	171,107	–	–	171,107	171,107
Bank borrowings, secured	372,350	1,041,768	172,404	1,586,522	1,586,522
Purchase consideration payable	–	–	–	–	–
31 December 2007					
Non-derivative financial liabilities					
Trade payables	111,330	–	–	111,330	111,330
Accrued liabilities and other payables	200,008	–	–	200,008	200,008
Bank borrowings, secured	289,266	1,045,611	243,407	1,578,284	1,578,284
Purchase consideration payable	1,120,000	–	–	1,120,000	1,120,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

29. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**49,377**	46,560
In the second to fifth years inclusive	**189,112**	202,441
Over five years	**290,763**	295,852
	529,252	544,853

The Group as lessor

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**208,814**	201,071
In the second to fifth years inclusive	**696,229**	643,363
Over five years	**1,341,374**	1,356,387
	2,246,417	2,200,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

30. RETIREMENT BENEFIT PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated income statement of approximately HK$326,000 (2007: HK$392,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

Compensation to key management personnel of the Group

	2008 **HK$'000**	2007 HK$'000
Short-term employee benefits	**6,210**	3,727
Post-employment benefits	**130**	85
	6,340	3,812

32. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 21 January 1994 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(a) The purpose was to provide incentives to:

(i) award and retain the participants who have made contributions to the Group; or

(ii) attract potential candidates to serve the Group for the benefit of the development of the Group.

(b) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

32. SHARE OPTION SCHEME *(Continued)*

(c) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(d) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(e) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors and provided in the offer of grant of option.

(f) The exercise period should be any period fixed by the board of directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(g) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

(h) The exercise price of an option must be the highest of:

    (i) the closing price of the shares on the date of grant which day must be a trading day;

    (ii) the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

    (iii) the nominal value of the share.

(i) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

There were no outstanding share options at 31 December 2007 and 2008. No share options were granted, exercised or cancelled during the years ended 31 December 2007 and 2008.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2008

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
Sundynasty International Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding
Timecastle International Limited	British Virgin Islands	Ordinary US$1	100% (Indirect)	Investment holding
Master Empire Development Limited	Hong Kong	Ordinary HK$1	100% (Indirect)	Investment holding
東方銀座商業(北京)有限公司	PRC (Note (i))	Registered capital RMB45,000,000	100% (Indirect)	Provision of retail-related business in the PRC
北京東方銀座商業投資顧問有限公司	PRC (Note (ii))	Registered capital RMB500,000	100% (Indirect)	Provision of shopping mall development planning advisory services in the PRC
北京華文韜廣告有限公司	PRC (Note (iii))	Registered capital RMB29,000,000	100% (Indirect)	Provision of promotion and advertising advisory services in the PRC
北京東方銀座商業管理有限公司	PRC (Note (iv))	Registered capital RMB2,000,000	100% (Indirect)	Provision of enterprises management consultancy services in the PRC
Affirm Action Limited	Hong Kong	Ordinary HK$1	100% (Direct)	Holding of motor vehicle in Hong Kong
Master Step Management Limited	Hong Kong	Ordinary HK$1	100% (Direct)	Provision of management services in Hong Kong
Winner Grace International Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding
Firm Top Investments Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding
Fortune International Business Limited ("FIB")	British Virgin Islands	Ordinary US$1	100% (Indirect)	Investment holding
Sunny Sky Properties Limited ("SSP")	British Virgin Islands	Ordinary US$1	100% (Indirect)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2008 *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
Po Sun Holding Group Limited	Hong Kong	Ordinary HK$10,000	99% (Indirect)	Investment holding
Po Sun Investment Limited	British Virgin Islands	Ordinary US$1	100% (Indirect)	Investment holding
Po Sun Piece Goods Company Limited	Hong Kong	Ordinary HK$10,000,000	98.99% (Indirect)	Investment holding
北京京港物業發展有限公司	PRC (Note (v))	Registered capital US$25,000,000	94.04% (Indirect)	Property investment in the PRC
東方銀座廣場有限公司	PRC (Note (vi))	Registered capital US$12,500,000	96.93% (Indirect)	Property investment in the PRC
Great Haven Development Limited	Hong Kong	Ordinary HK$250	99.60% (Indirect)	Investment holding
Bloomy Earth Holdings Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding

Notes:

(i) 東方銀座商業(北京)有限公司 is a wholly foreign owned enterprise established in the PRC.

(ii) 北京東方銀座商業投資顧問有限公司 is a limited liability company established in the PRC.

(iii) 北京華文韜廣告有限公司 is a limited liability company established in the PRC.

(iv) 北京東方銀座商業管理有限公司 is a limited liability company established in the PRC.

(v) 北京京港物業發展有限公司 is a Sino-foreign cooperative joint venture established in the PRC.

(vi) 東方銀座廣場有限公司 is a Sino-foreign cooperative joint venture established in the PRC.

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.

GROUP PROPERTIES

Major properties held for investment and sale

Location	Approx. Site Area (sq.m.)	Approx. Floor Area Attributable to the Group (sq.m.)	Existing use	Term of lease	Group's interest (%)
The Metropolitan (都會華庭), International Metro Centre (都會國際) and Jing Gang City Square (京港城市廣場) located at No. 3 Jia, Shilipu, Chao Yang Road, Chao Yang District, Beijing, the PRC	68,700	74,100	Residental, office, retail, ancillary facilities and car parking	Medium/ Long	94
Oriental Kenzo Plaza (東方銀座廣場) located at Dongzhimen Wai Main Street, Dong Cheng District, Beijing, the PRC	15,500	62,800	Residental, office, retail and car parking	Medium/ Long	97
Flat B, 17th Floor, The Mayfair, No. 1 May Road, The Peak, Hong Kong 253/17, 334th equal and undivided shares of and in Inland Lot No. 8410	–	267	Residental	Medium	99

FINANCIAL SUMMARY

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

RESULTS

Year ended 31 December	**2008** **HK$'000**	2007 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)	2004 HK$'000 (Restated)
Revenue					
From continuing operations	**280,889**	137,206	125,759	—	—
From discontinued operations	**—**	—	426,452	865,647	876,896
	280,889	137,206	552,211	865,647	876,896
(Loss)/Profit before tax	**(724,513)**	507,552	(78,904)	(76,591)	(85,413)
Income tax	**76,609**	(6,021)	(16,514)	—	(6)
(Loss)/Profit for the year	**(647,904)**	501,531	(95,418)	(76,591)	(85,419)

ASSETS AND LIABILITIES

At 31 December	**2008** **HK$'000**	2007 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)	2004 HK$'000 (Restated)
Assets	**3,998,153**	4,504,476	612,133	931,477	411,413
Liabilities	**2,470,854**	3,587,527	432,825	690,735	267,621
Net assets	**1,527,299**	916,949	179,308	240,742	143,792

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Oriental Ginza Holdings Limited ("Company") will be held at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 10 June 2009, at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2008.

2. A. To re-elect the following retiring Directors of the Company for the ensuing year:

   (i) Ms. Tin Yuen Sin Carol
   (ii) Mr. Lam Yat Ming
   (iii) Mr. Chan Wai Yip Freeman
   (iv) Mr. Ng Ka Chung Simon
   (v) Ms. Leung Po Ying Iris

   B. To determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors' remuneration.

3. To re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

   A. **THAT**

   (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

(c) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company and its subsidiaries of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(e) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

NOTICE OF ANNUAL GENERAL MEETING

B. **THAT**

(a) subject to paragraph B(b), a general mandate for the Directors to exercise during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph B(a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly;

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

NOTICE OF ANNUAL GENERAL MEETING

C. **THAT** conditional upon resolutions nos. 4A and 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no.4B above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no.4A above.

5. To consider and, if thought fit, to pass the following resolution, with or without amendments, as ordinary resolution:

THAT conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares in the Company to be issued pursuant to the exercise of any options ("Options") to be granted under the existing share option scheme and any other share option scheme(s) of the Company, the Directors be and are hereby authorised, at their absolute discretion, to grant Options to the extent that the shares in the Company issuable upon the full exercise of all Options shall not be more than 10% of the issued share capital of the Company as at the date of this resolution.

By order of the Board
Tin Yuen Sin Carol
Chairperson

Hong Kong, 28 April 2009

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint up to two proxies to attend and, in the event of a poll, vote instead of him/her. A proxy need not be a shareholder of the Company.

2. In order to be valid, the form of proxy must be deposited at the Company's Branch Share Registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The retiring directors are as follows:

   Ms. Tin Yuen Sin Carol, the chairperson and the executive director, shall retire at least once every three years in accordance with the code provision of code on corporate governance practices of the Rules Governing the Listing of Securities on the Stock Exchange.

   Mr. Lam Yat Ming, the executive director, shall retire in accordance with the Bye-law 111(B) of the Byelaws of the Company and does not wish to offer himself for election.

   Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, the independent non-executive directors, shall retire and, being eligible, offer themselves for re-election at the AGM in each year in accordance with their terms of office of directorship.

   The biographical details of the retiring directors, being the directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company, "General Mandate to Repurchase Shares, Refreshment of the Scheme Mandate Limit and Re-election of the Retiring Directors" to be dispatch to the shareholders in due course.

4. A form of proxy for use at the meeting is enclosed.

The Board as of the date of this report comprises: Ms. Tin Yuen Sin Carol, Mr. Zhang Feng, Mr. Li Sai Ho, Mr. Lam Yat Ming and Mr. Fok Wai Ming Eddie as executive directors, Mr. Yip Ying Chi Benjamin as a non-executive director and Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris as independent non-executive directors.