蜆壳電器工業（集團）有限公司
SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

SINCE 1952

(Stock Code : 00081)

ANNUAL REPORT 2008

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Eddie HURIP
Mr. Simon YUNG Kwok Choi *(*)*
Mr. Peter WONG Chung On *(**)*
Mr. Peter LAM *(**)*
Mr. Lawrence LEUNG Man Chiu *(**)*

(*) Non-executive Director
(**) Independent non-executive Directors

BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of America, N.A.
China Construction Bank, Hong Kong Branch

SOLICITORS

Woo, Kwan, LEE & Lo

COMPANY SECRETARY

Mr. Peter Lee Yip Wah

REGISTERED OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong

AUDITORS

Grant Thornton

SHARE REGISTRARS

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

PROFIT FOR THE YEAR

The reported profit of the Company and its subsidiaries (collectively, the "Group") attributable to the Company's equity holders for the year ended 31st December, 2008 amounted to HK$23,563,000 compared to HK$434,359,000 for the corresponding period last year. Reported basic earning per share stood at HK$0.0448, representing a decrease of 94.5% from the same period last year. The reported profit for the year included a revaluation deficit (net of deferred taxation and minority interest) on investment properties of HK$73,655,000, a share option expense (net of minority interest) of HK$36,769,000 and realized and unrealized losses on securities trading totalling HK$62,286,000 compared to a revaluation gain (net of deferred taxation and minority interest) on investment properties of HK$64,427,000, a share option expense (net of minority interest) of HK$4,913,000 and realized and unrealized gains (net of profits tax) on securities trading totalling HK$10,518,000 for the corresponding period last year.

Shareholders of the Company and potential investors may note that, excluding the effect of fair-value changes on investment properties, share option expenses and realized and unrealized losses and gains on securities trading, the underlying profit attributable to the Company's equity holders for the year ended 31st December, 2008 was HK$196,273,000, representing a decrease of HK$168,054,000 or 46.1% from the corresponding period last year. Underlying earnings per share was HK$0.3735, representing a decrease of HK$0.3198 or 46.1% from the same period last year.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK$0.03 per share for the year ended 31st December, 2008. This proposed final dividend, subject to approval by the Shareholders of the Company at the annual general meeting to be held on Wednesday, 3rd June, 2009, will be payable on Wednesday, 10th June, 2009 to the Shareholders on the Register of Members of the Company on Wednesday, 3rd June, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 1st June, 2009 to Wednesday, 3rd June, 2009 both days inclusive, during which period no transfer of the Company's shares will be effected. In order to qualify for the proposed final dividend and to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 29th May, 2009.

BUSINESS REVIEW

Ceiling Fans

The sales and profit of the ceiling fans business of the Group slowed down in 2008 compared to 2007. Due to the prolonged financial crisis, the markets in Europe and America were affected more severely; the impact on Middle East, Asia and Africa markets was smaller; and the sales in Australia and Hong Kong stayed stable. It is expected that the ceiling fans business in 2009 will continue to be affected by the global recession.

Contract Manufacturing — Optics and Imaging

Fuser and laser scanner sales in 2008 recorded a 6% decrease compared with 2007, due to price reductions. In a difficult global economic environment, sales reduction is expected in 2009. Volume production of the paper handing options has started in the third quarter with satisfactory progress and new production models will be expected to contribute additional revenue in 2009.

Contract Manufacturing — Electric and Electronics

Although the global economy slowed down rapidly in the second half of 2008, the implementation of "Cell Manufacturing" technology in 2008 increased operating efficiencies and kept us competitive in the market. We were able to maintain stable sales in 2008. For 2009, we will start development and production of LED lighting products and other innovative electronic products. We target to maintain our sales revenue for 2009.

Electric Wire and Cable

The electric wire and cable business was affected by the slowing domestic economy and the partial closure of the factory due to heavy rainfall endangering the stability of the nearby slope, its revenue in 2008 decreased by 25% compared to 2007. The business recorded a loss in 2008 after the impairment provision made for the affected factory. The effectiveness of the economic stimulation policy in China is yet to be determined. The company will strive to reduce costs through controlling expenditures. It is expected the business performance will be affected in 2009.

Taxi Operation

Guangzhou taxi company continues to adopt the rental operating model. Its turnover and profit in 2008 recorded double digit growth compared to the same period of 2007. In 2009, with the economic slow down, the company plans to lower its capital expenditures and continue to rent parking facilities for its operation. The company has improved the service quality of drivers, and the maintenance and management of vehicles to enhance its quality service and competitiveness. It is anticipated that business will grow steadily in 2009.

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou recorded double digit increase in 2008 compared to 2007. The increase is due to new rental agreements signed in 2007 taking full effect in 2008 and the appreciation of Renminbi. The average rental rate of the office properties in 2008 was similar to 2007. The office properties rental income of 2008 was lower than the same period of 2007 as some office units were sold. New leasing demand for retail properties and offices has reduced resulting from impact of the financial tsunami. The rental price will be adjusted down to attract tenancy. The Group expects that the overall rental income will be slightly affected in 2009.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group.

During the period under review, occupancy rate of the Group's office complex in Livermore, California remained stable while its rental income was reduced slightly. We expect the prolonged economic and credit problems will continue to pose adverse effect on the US property market as well as our occupancy rate and rental income in 2009.

The Group owns 70% of China Ever Bright Real Estate Development Limited ("EBRE"). In 2008, EBRE recorded revenue from two completed development projects, one in Guangzhou and one in Beijing, as well as profits from the disposal of the Pazhou exhibition centre project in Guangzhou and the Everbright International Plaza project in Heifei. Under the current project completion pipeline, we expect revenue in 2009 to be stable. A review of EBRE's major projects is as follows:

Tower 1 of the Ever Bright World Center in Beijing is a commercial office building with about 48,000 sq.m. saleable/leaseable GFA (and additional about 400 underground parking spaces); about 20,000 sq.m. were leased and about 4,800 sq.m. were sold under contract sales in 2008; EBRE's headquarters occupies the top floor. EBRE owns 100% of the project.

Guangzhou Ever Bright Garden Phase E was completed and delivered for use in 2008. The new phases J and K with total saleable GFA of about 350,000 sq.m. (including parking spaces) are under construction and 36,000 sq.m. were pre-sold under contract sales in 2008. Delivery of the new phases is expected to start in 2009.

The R&D office building in the Zhang Jiang High-tech Zone in Pudong, Shanghai has about 14,000 sq.m. of leaseable GFA and is about 90% leased. EBRE owns 65% interest in this project.

EBRE has contracted sales in 2008 for about 11,000 sq.m. of the commercial and residential development project located in Haidian district in Beijing consisting of about 86,000 sq.m. saleable GFA (with additional parking spaces of about 15,000 sq.m.). Continue marketing to university faculty staff and professors in the surrounding area has drawn much interest. EBRE owns 100% of the project.

The residential and retail shopping mall development project (about 150,000 sq.m.) located in Haizhu district in Guangzhou has started construction in late 2008 and is expected to be completed in 2011. The land parcel is directly connected to an interchange station of the Guangzhou — Foshan light rail line and the Guangzhou extended No. 2 subway line. This will provide the development with superior shopper traffic advantage. The residential portion with a total saleable GFA of about 67,000 sq.m. is anticipated to start construction in 2010 and the shopping mall portion will be kept as a long term investment. EBRE owns 100% interest of this project.

EBRE has a 65.8% interest in the Guilin project with about 724,000 sq.m. land area. The project is planned to be a resort and residential property development in the future.

The primary land development project company in Hohhot, Inner Mongolia has started work on about 1,300 mu (equivalent to about 867,000 sq.m.) of land in 2008. When ready, the land will be auctioned to secondary development companies. EBRE owns 80% interest of the primary land development project company.

The property development projects in Hohhot, Inner Mongolia have commenced construction and will be developed in stages; the residential development portion consists about 380,000 sq.m. of saleable GFA and the initial phase is expected to be ready for pre-sale in 2009. EBRE owns 100% interest of these secondary property development projects.

Real Estate Investment & Development (Continued)

EBRE owns 70% interest in a villa and low rise residential project located in the northern suburb of Beijing with total saleable GFA of about 175,000 sq.m.. Construction progress has been slowed down.

A residential project with superior view fronting the Pearl River in Guangzhou consists of total saleable/leaseable GFA of about 58,000 sq.m. (including parking spaces). Its construction will be postponed due to the market situation. EBRE owns 90% interest in this project.

Technology Investment Projects

Enterprise Software Solutions

Appeon continues to operate a profitable business of providing IT outsourcing services and Web development software — Appeon® for PowerBuilder®. The turnover in the second-half of 2008 improved despite the global economic downturn. However, the appreciation of the Renminbi and inflation in the PRC has led to increased operational costs. The company is focusing on high-value IT outsourcing projects to boost its profitability and sales in the future.

Computing and Data Storage System

Galactic Computing offers three major product series: data storage systems, enterprise servers, super-computing products and associated software. During 2008, the company achieved over 25% revenue growth compared to 2007. The company shall focus on the development of data storage solutions targeting mid-range customers to enhance competitiveness and explore export markets.

Financial Investment

Due to the serious down turn of the Hong Kong stock market in 2008, the Group's financial investment activities for the year ended 31st December, 2008 recorded loss of approximately HK$64,405,000 and the market value of the Group's financial investment holdings amounted to about HK$20,643,000. We plan to reduce our financial investment in 2009.

By Order of the Board
BILLY K YUNG
Group Chairman and Chief Executive

Hong Kong, 22nd April, 2009

REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2008 totalled HK$2,503 million, representing a decrease of HK$1,049 million or 29.5% compared to HK$3,552 million for the corresponding period last year. Slowdown in the sales of PRC properties and decline in the sales of electric fans accounted for a majority of the decrease in revenue following a challenging business environment. However, the Group managed to achieve a total of HK$820 million in contracted sales (to be recognised beyond 31st December, 2008) of PRC properties of which HK$372 million and HK$448 million would come from the property projects in Beijing and Guangzhou respectively.

Profit attributable to equity holders for the year ended 31st December, 2008 dipped from HK$434 million to HK$24 million representing a decrease of HK$410 million or 94.5% over last year. The plunge in profit was mainly attributable to (i) a fair value loss (net of deferred taxation and minority interest) of HK$74 million on certain investment properties within the Group coupled with a fair value gain (net of deferred taxation and minority interest) of HK$64 million for the corresponding period last year; (ii) a sharing of fair value gain of HK$14 million on certain investment properties held by associated companies compared to a sharing of fair value gain of HK$47 million for the corresponding period last year; (iii) a share option expense (net of minority interest) of HK$37 million compared to a HK$5 million expense for the corresponding period last year; and (iv) realized and unrealized losses on securities trading totalling HK$62 million compared to realized and unrealized gains (net of profits tax) totalling HK$11 million relating to securities held for trading and derivative financial instruments for the same period last year. Both the fair value adjustment and the share option expense involved no cash movement.

FINANCIAL RESOURCES AND LIQUIDITY

The Group inevitably felt the pinch of the global economic downturn but was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

During the period under review, certain bank loans totalling RMB1,350 million were secured to finance the Group's property development projects in the PRC based on certain real estate in Mainland China.

The U.S. and the PRC long term loans of US$13 million and RMB900 million respectively were secured by certain assets of the group located in the United States and Mainland China respectively. The Group has secured and utilized a three-year long-term loan of HK$150 million and converted a short-term loan of HK$250 million into a three-year term loan during the period under review. Apart from the above, all banking facilities of the Group have been arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2008, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 7 times.

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The Group continued to conduct its sales mainly in US dollars and Renminbi and make payments either in US dollars, Hong Kong dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the Renminbi exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2008, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledged deposit to total equity of the Company of 36.9% (31st December, 2007: 28.2%(restated)).

SIGNIFICANT ACQUISITIONS AND DISPOSALS

During the period under review, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in 安徽博鴻房地產開發有限公司 to an independent third party at a cash consideration of RMB121 million. The transaction was completed in first quarter of 2008 and resulted in a gain after tax but before minority interests of HK$28 million.

On 24th April, 2007, the Group entered into a sales and purchases agreement in relation to a disposal of its 50% interest in 廣州市環博展覽有限公司 at a consideration (including repayment of shareholder loan) of RMB545 million. Completion of the transaction took place in the first quarter of 2008 thus giving rise to a gain of HK$52 million after tax but before minority interests.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

COMMITMENTS AND GUARANTEE

During the period under review, the Group had commitments totalling HK$3,414 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$1,284 million mainly for facilitating end-user mortgages in connection with its PRC property sales.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had a capital expenditure totalling HK$36 million during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,350 million from certain PRC banks during the period under review.

During the period under review, the Group had charges on assets totalling HK$3,810 million mainly for securing mortgage loans.

The Group has also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group.

EMPLOYEES

As at 31st December, 2008, the Group has approximately 4,180 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

EXECUTIVE DIRECTORS

Mr. Billy K Yung, aged 55, is the Group Chairman and Chief Executive of the Company, the eldest son of Madam Yung Ho Wun Ching (Executive Director of the Company) and the elder brother of Mr. Simon Yung Kwok Choi (Non-Executive Director of the Company). Mr. Yung received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in USA, Hong Kong and China. He has also over 25 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. He is also a director in various members of the Group.

Madam Yung Ho Wun Ching, aged 77, is the mother of Mr. Billy K Yung (Group Chairman and Chief Executive of the Company) and Mr. Simon Yung (Non-Executive Director of the Company). Madam Yung has been involved in the development of the Group since inception and was appointed as an executive director in 1984. She is also a director in various members of the Group.

Mr. Leung Chun Wah, aged 62, joined the Group in 1977 and was appointed as an Executive Director in 1990. Mr. Leung is the General Manager of the ceiling fan division. Mr. Leung took a Bachelor's degree of Business Administration from University of East Asia, Macau. He is also a director in various members of the Group.

Mr. Eddie Hurip, aged 50, joined the Group in 1994 as Deputy General Manager and was appointed as Executive Director in 2006. He holds a Bachelor degree in Electrical Engineering and Computer Science from the University of California, Berkeley and an Executive MBA degree from the Marshall Business School of the University of Southern California. Mr. Hurip's focus is on the Group's real estate development projects in PRC through the 70% owned subsidiary in China Ever Bright Real Estate Development Limited. He is also a director in various members of the Group.

NON-EXECUTIVE DIRECTOR

Mr. Simon Yung Kwok Choi, aged 52, was appointed as a Non-Executive Director in 1991. Mr. Yung is the son of Madam Yung Ho Wun Ching (Executive Director of the Company) and the younger brother of Mr. Billy Yung (Group Chairman and Chief Executive of the Company). Mr. Yung holds both a Bachelor's and Master degree of Arts from Stanford University. He is the Chairman of the Venes Group of Companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Peter Wong Chung On, aged 59, has been appointed as an Independent Non-Executive director in March 2004. Mr. Wong received his Bachelor of Laws Degree and Master of Laws Degree in Chinese and Comparative Law from University of Wolverhampton in United Kingdom and City University of Hong Kong respectively. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is also an associate member of the Hong Kong Institute of Certified Public Accountants. During the period from 1986 to 1990, he was employed by the Group as the Financial Controller and an in-house Financial Consultant. He has approximately 20 years of financial management experience in the manufacturing field before joining the Group. He is now a Solicitor practicing in Peter C.O. Wong & Associates.

Mr. Peter Lam, aged 57, has been appointed as an Independent Non-Executive Director in September 2004. Mr. Lam received a Bachelor degree in Civil Engineering from Lehigh University and a Master degree in Construction Management from Stanford University. He is the Permanent Supervisor of The Hong Kong Construction Association and Vice Chairman of Heifer International Hong Kong. He was a Former President of the Hong Kong Construction Association, Former Vice President of Hong Kong Institution of Engineers, Former Committee Member of Institute for Enterprise of The Hong Kong Polytechnic University, Former Director of 'Mother Choice' Association under Community Chest and a member of The Selection Committee for the First Government of Hong Kong Special Administrative Region. He is the President of Lam Construction Company Limited.

Mr. Leung Man Chiu, Lawrence, aged 61, has been appointed as an Independent Non-Executive Director in January 2009. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 39 years. He has extensive experience in accounting and auditing and had served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practising as a partner in Tang and Fok. Mr. Leung is an independent non-executive director of Pak Fah Yeow International Limited and Safety Godown Company, Limited, both of which are public listed companies in Hong Kong.

SENIOR MANAGEMENT STAFF

Mr. Chow Kai Chiu, David, aged 44, Chartered Financial Analyst, is the Deputy Chief Executive of the Group. Mr. Chow received his Bachelor of Applied Science degree in Computer Engineering and Masters degree in Business Administration from University of Waterloo and York University in Canada respectively. He has previously held positions at First Marathon Securities Limited in Canada, Asian Capital Partners (HK) Limited, and HSBC Private Equity (Asia) Limited in the corporate finance and investment management field.

Dr. Wang Tao Guang, aged 44, joined China Ever Bright Real Estate Development Limited, a subsidiary of the Group in 2005 as a director. Dr. Wang was admitted in Harvard University in 1999 as a post special student (full scholarship) for a post doctor research. Dr. Wang holds a Doctor's degree in Economics, a Master's degree in Economic Law and a Bachelor's degree in Law in the Peking University. He also holds a Master's degree in Finance in the Bowling Green State University in the United States. Dr. Wang has previously held positions at Everbright Securities Corporation Ltd and China Everbright Holdings Ltd (a listed company on HKEX) as Vice President and as Executive Director/General Manager respectively.

Mr. Chu Ka Loy, aged 60, joined the Group in 1993 as Financial Controller of the Group. Mr. Chu has previously held senior financial positions in public listed and private companies for over 10 years. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee Yak Mau, aged 46, is the Deputy Financial Controller of the Group. He received his Master of Business Administration degree in University of Strathclyde. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He has extensive experiences in accounting, corporate finance, manufacturing and project management. Prior to joining the Group, he held positions in management level in the various multi-national enterprises and the companies listed on the main board of Hong Kong.

Mr. Ho Chi Sing, Spencer, aged 48, is the Senior Investment Manager of the Group. Mr. Ho holds a Bachelor degree in Laws and Litigation in University of Wolverhampton, United Kingdom, and a Master degree in Systems Management in Lancaster University, United Kingdom. Prior to joining the Group in 1999, he was the fund manager of BOC China Fund. He has over 15 years' working experience in banking and investment management.

Mr. Tang Che Yin, Benny, aged 54, is the General Manager of SMC Multi-Media Products Company Limited. Mr. Tang holds a Bachelor's degree of science in engineering and a Master degree of computer science in the University of Hong Kong and the University of Manchester of the United Kingdom respectively. He is a Chartered Engineer and also a member of the Council of Engineer in the United Kingdom. Before joining the Group in 1991, he has over 10 years' working experience in multi-national companies with focus on technical and factory management.

Mr. Wong Yat Sheung, Nelson, aged 36, is the General Manager of Galactic Computing Corporation. Mr. Wong received his Bachelor's degree in Computer Engineering from Chinese University of Hong Kong and Master degree in Economic Laws from Peking University. Before joining SMC in 2000, he has previously held position at Hong Kong Monetary Authority in banking supervision and IT management field.

The directors present their annual report and the audited financial statements for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group are property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 53 to note 55 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 19.

An interim dividend of HK$0.03 per share amounting to HK$15,765,000 was paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommend the payment of a final dividend of HK$0.03 per share to the shareholders on the register of members on Wednesday, 3rd June, 2009, thus giving rise to a final dividend distribution amounting to HK$15,705,000 and the retention of the remaining profit for the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of the Company and its subsidiaries are set out in note 38 and note 42 to the financial statements respectively.

RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 39 to the financial statements respectively.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2008, calculated under section 79B of the Companies Ordinance amounted to HK$15,705,000 (2007: HK$63,058,000).

DONATIONS

During the year, the Group made charitable and other donations totalling HK$17,634,000 (2007: HK$3,239,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on page 88.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 86.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Executive directors

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Eddie HURIP

Non-executive director

Mr. Simon YUNG Kwok Choi

Independent non-executive directors

Dr. The Hon Leo Tung-Hai LEE, *GBM, GBS, Cav Gr Cr, OBE, Chev Leg d'Hon, Comm Leopold II, LLD, JP*
(resigned on 30th January, 2009)
Mr. Shiu-Kit NGAI, *SBS, OBE, JP*
(resigned on 19th December, 2008)
Mr. Peter WONG Chung On
Mr. Peter LAM
Mr. Lawrence LEUNG Man Chiu
(appointed on 30th January, 2009)

In accordance with Article 103 of the Company's Articles of Association, Mr. Billy K YUNG, Madam YUNG HO Wun Ching and Mr. Peter LAM shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Lawrence LEUNG Man Chiu shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such directors to be independent.

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 8 and 9.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS

(a) In contracts of significance

No contracts 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.

(b) Shares

As at 31st December, 2008, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Billy K Yung	Beneficial Owner	Personal	37,272,000	263,601,084	50.16%
	Interest of child under 18 or spouse *(Note 1)*	Other	216,329,084		
	Interest held jointly with another person *(Note 2)*	Other	10,000,000		
Dr. The Hon Leo Tung-Hai Lee	Beneficial Owner	Personal	3,206,000	3,206,000	0.61%
Mr. Peter Lam	Beneficiary of a trust *(Note 3)*	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial Owner	Personal	53,246,300	63,246,300	12.04%
	Interest of Spouse *(Note 4)*	Family	10,000,000		
Mr. Leung Chun Wah	Beneficial Owner	Personal	1,559,400	1,559,400	0.30%
Mr. Simon Yung Kwok Choi	Beneficial Owner	Personal	39,147,911	43,577,351	8.29%
	Interest of controlled corporation *(Note 5)*	Corporate	3,529,440		
	Interest of spouse *(Note 6)*	Family	900,000		

Notes:

(1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.

(2) These shares are held jointly with his wife, Madam Vivian Hsu.

(3) These shares are held by a trust for the benefit of Mr. Peter Lam.

(4) This interest represents the holding of Shares held by the late Dr. Yung Yau.

(5) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.

(6) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(c) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries, namely, Appeon Corporation, Galactic Computing Corporation and the option deeds of Pan China Land (Holdings) Corporation are set out in note 42 to the financial statements.

(d) Disclosure of other interest

(i) Certain directors held shares in subsidiaries as trustees for the Company.

(ii) Certain directors held the option deeds of Pan China Land (Holdings) Corporation, an indirect 70%-owned subsidiary of the company, as trustee for the benefit of Timely Hero Limited, a wholly owned subsidiary of the Company. Details are set out in note 42(b) to the financial statements.

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

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

Name of substantial Shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a Trust *(Note 1)*	Other	224,437,334	224,437,334	42.71%
Diamond Key Enterprises Inc.	Beneficial Owner *(Note 1)*	Beneficial	143,612,287	143,612,287	27.33%
On Fat Profits Corporation	Beneficial Owner *(Note 1)*	Beneficial	72,716,797	72,716,797	13.84%
Madam Chiu Man	Beneficial Owner Interest of spouse *(Note 2)*	Personal Family	900,000 42,677,351	43,577,351	8.29%
Madam Vivian Hsu	Interest of spouse Interest held jointly with another person *(Note 3)*	Family Other	37,272,000 10,000,000	47,272,000	9.00%

Notes:

(1) 143,612,287 shares and 72,716,797 shares form part of the 224,437,334 shares held by UBS Trustees (BVI) Limited of which the aggregate of 143,612,287 shares and 72,716,797 shares (i.e. 216,329,084 shares) are disclosed in the section headed "DIRECTORS' INTERESTS" above as being held under a trust with Mr. Billy K Yung's family as the beneficiaries. None of the directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.

(2) Madam Chiu Man's shares held under personal interest and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTERESTS" above.

(3) Madam Vivian Hsu's shares held under family interest and other interest are in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the section headed "DIRECTORS' INTERESTS" above .

Other than as disclosed above, there was no person, other than the directors of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 42 to the financial statements, 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2008, the five largest customers accounted for approximately 30% of the total sales of the Group's turnover, of which 11% was attributable to the largest customer. Purchase from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2008.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

BILLY K YUNG
Chairman

Hong Kong, 22nd April, 2009

This Corporate Governance Report is issued pursuant to Appendix 23 of the Listing Rules.

The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The Board of Directors (the "Board") is pleased to report that throughout the year up to 31st December, 2008, the corporate governance practices of the Group are in compliance with the Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviations set out in the following detailed discussion.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in proper and prudent manner.

The following detailed discussion sets out the manner by which the Group has met the Code Provisions in the Code for the year ended 31st December, 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code during the year ended 31st December, 2008.

BOARD OF DIRECTORS

The Board comprises eight members, of which four members are executive Directors, one member is a non-executive Director and three members are independent non-executive Directors. Biographical details of the Directors are set out on page 8 of this Annual Report.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the executive board members.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

RESIGNATION OF DIRECTORS

Mr. Shiu-Kit Ngai and Dr. The Hon Leo Tung-Hai Lee have resigned as independent non-executive Director and member of the Audit Committee of the Company with effective from 19th December, 2008 and 30th January, 2009 respectively. The Board would like to express sincere gratitude to Mr. Ngai and Dr. Lee for their valuable contributions to the Company during their tenure of office.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should separate and should not be performed by the same individual. Mr. Billy K Yung is currently the Group Chairman and the Chief Executive of the Company. The Board considers that the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.

DIRECTORS' ATTENDANCE AT THE BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETINGS

Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Mr. Billy K Yung	4/4	N/A	1/1
Dr. The Hon Leo Tung-Hai Lee (resigned on 30th January, 2009)	3/4	2/2	N/A
Mr. Shiu-Kit Ngai (resigned on 19th December, 2008)	3/4	2/2	N/A
Madam Yung Ho Wun Ching	2/4	N/A	N/A
Mr. Leung Chun Wah	3/4	N/A	N/A
Mr. Eddie Hurip	3/4	N/A	N/A
Mr. Simon Yung Kwok Choi	4/4	N/A	N/A
Mr. Peter Wong Chung On	3/4	2/2	1/1
Mr. Peter Lam	3/4	1/2	1/1

NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new directors and re-nomination and re-election of directors at regular intervals.

The Board did not nominate or appoint any new director during 2008.

In accordance with Article 103 of the Company's Article of Association, one-third of the Directors will retire from office at the Company's annual general meeting. Mr. Billy K Yung, Madam Yung Ho Wun Ching and Mr. Peter Lam shall retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Article of Association, Mr. Lawrence Leung Man Chiu, who was appointed as an independent non-executive Director of the Company on 30th January, 2009, shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

None of the independent non-executive Directors has been appointed for a term of more than three years.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Simon Yung Kwok Choi, the Non-executive Director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

Mr. Billy K Yung is the brother of Mr. Simon Yung Kwok Choi. Both of them are the sons of Madam Yung Ho Wun Ching. Save as disclosed above, during the year, none of the other directors has or maintained any financial, business, family or other material, relevant relationship with any of the other directors.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 20th January, 2005. The Remuneration Committee consists of a majority of independent non-executive Directors and its members are:

Mr. Peter Lam *(independent non-executive Director) (Chairman)*
Mr. Peter Wong Chung On *(independent non-executive Director)*
Mr. Billy K Yung *(executive Director)*

The Remuneration Committee is charged with the responsibility of determining the specific remuneration packages of all executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the independent non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Remuneration Committee takes into account the performance of the Group as well as those individual Directors and key executives.

The Remuneration Committee Meeting held considered and approved the pay rise of the executive directors, reviewed the share option scheme and recommended/approved the granting of share option.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the Auditors that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 18.

AUDIT COMMITTEE

The Audit Committee was formed on 22nd September, 1998 to review and supervise the financial reporting process and internal control mechanism of the Company. The Audit Committee is comprised of three members, all of whom are independent non-executive Directors. The members are:

Mr. Peter Wong Chung On *(Chairman)*
Dr. The Hon Leo Tung-Hai Lee (resigned on 30th January, 2009)
Mr. Shiu-Kit Ngai (resigned on 19th December, 2008)
Mr. Peter Lam
Mr. Lawrence Leung Man Chiu (appointed on 30th January, 2009)

AUDIT COMMITTEE (CONTINUED)

Mr. Peter Wong Chung On, an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company, has been appointed as chairman of the Audit Committee with effect from 19th December, 2008 to fill the vacancy caused by the resignation of Dr. The Hon Leo Tung-Hai Lee.

Mr. Lawrence Leung Man Chiu has been appointed as an independent non-executive Director and a member of the Audit Committee of the Company effective from 30th January, 2009.

The Audit Committee has reviewed with management and auditors of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2008.

The amount of audit fee for the year ended 31st December, 2008 was HK$4,090,000 (2007: HK$5,171,000). The amount of non-audit fees payable to the auditors of the Company for the year ended 31st December, 2008 was HK$130,000 (2007: HK$100,000). The Audit Committee is of the view that the auditors' independence was not affected by the provision of these non-audit related services.

The Audit Committee has recommended to the Board that Grant Thornton, Certified Public Accountants, be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Board has conducted a review of the effectiveness of the system of internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board considers that the Group's internal control system is satisfactory but there is still some room for improvement.

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Shell Electric Mfg. (Holdings) Company Limited 蜆壳電器工業（集團）有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shell Electric Mfg. (Holdings) Company Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 19 to 85, which comprise the consolidated and company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22nd April, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	5	**2,502,632**	3,552,030
Cost of goods and services		**(1,662,292)**	(2,827,559)
Gross profit		**840,340**	724,471
Other income	7	**44,231**	68,781
Distribution and selling expenses		**(73,194)**	(65,048)
Administrative expenses		**(300,415)**	(227,391)
Other operating expenses		**(107,239)**	(70,684)
Other gains/(losses)			
Fair value (loss)/gain on investment properties		**(64,337)**	92,794
Fair value (loss)/gain on investments held for trading		**(62,286)**	20,779
Fair value loss on derivative financial instruments		**—**	(8,030)
Impairment loss on owner-occupied property		**(3,423)**	—
Impairment loss on goodwill arising on acquisition of a subsidiary		**(2,283)**	—
Impairment losses on other assets		**(5,116)**	(5,494)
Reversal of impairment of financial assets		**7,684**	21,008
Reversal of unutilised provision	36	**67,309**	23,478
Gain on acquisition of minority interests		**—**	106,987
Gain on disposal of a subsidiary	43(a)	**56,115**	512
Others		**4,755**	1,004
Operating profit		**402,141**	683,167
Finance costs	8(a)	**(73,109)**	(69,284)
Share of results of associates		**46,354**	80,512
Share of results of jointly controlled entities		**7,366**	1,635
Gain on disposal of an associate		**—**	45,302
Gain on disposal of a jointly controlled entity	43(b)	**176,533**	—
Impairment loss on interest in a jointly controlled entity	21	**(28,361)**	—
Profit before income tax	8	**530,924**	741,332
Income tax expense	9	**(456,518)**	(198,787)
Profit for the year		**74,406**	542,545
Attributable to:			
Equity holders of the Company		**23,563**	434,359
Minority interests		**50,843**	108,186
		74,406	542,545
Dividends	11	**31,470**	105,097
		HK Cents	HK Cents
Earnings per share	12		
— Basic		**4.48**	82.66
— Diluted		**3.81**	82.55

CONSOLIDATED BALANCE SHEET

As at 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	14	**747,220**	791,956
Property, plant and equipment	15	**209,592**	180,936
Prepaid lease rental on land	16	**21,239**	20,592
Goodwill	17	**84,934**	106,173
Other intangible assets	18	**240,591**	230,813
Interests in associates	20	**418,860**	366,962
Interests in jointly controlled entities	21	**222,800**	232,591
Available-for-sale financial assets	22	**2,920**	7,990
Loans receivable	23	**130,138**	152,668
Deferred tax assets	41	**1,908**	—
Deposit paid for acquisition of other investment	24	**—**	77,496
		2,080,202	2,168,177
Current assets			
Inventories of properties	25	**6,099,493**	4,946,397
Other inventories	26	**124,228**	113,789
Trade and other receivables, prepayments and deposits	27	**1,036,644**	1,058,792
Prepaid lease rental on land	16	**524**	489
Loans receivable	23	**15,345**	3,853
Amounts due from associates	29	**—**	6,535
Amounts due from jointly controlled entities	29	**77,295**	177,140
Amounts due from investees	29	**20,831**	6,717
Amount due from a related party		**—**	1,367
Amounts due from minority shareholders	29	**33,856**	44,448
Investments held for trading	30	**20,643**	48,381
Tax prepaid		**8,704**	—
Pledged cash deposits		**—**	876,858
Restricted cash and deposits	31	**52,582**	116,288
Cash and cash equivalents	32	**873,326**	704,716
		8,363,471	8,105,770
Assets classified as held for sale		**—**	434,442
		8,363,471	8,540,212
Current liabilities			
Trade and other payables	33	**2,378,746**	2,165,436
Sales deposits received		**772,395**	776,671
Amount due to an associate	29	**118**	—
Amounts due to jointly controlled entities	34	**226**	2,044
Amounts due to minority shareholders	35	**186,612**	164,000
Amounts due to related parties	34	**291**	474,439
Consideration payable on acquisition of subsidiaries	44	**210,097**	290,473
Provisions	36	**—**	64,733
Taxation liabilities	9	**607,398**	215,696
Derivative financial instruments		**—**	6,738
Bank borrowings	37	**929,179**	1,885,688
		5,085,062	6,045,918
Net current assets		**3,278,409**	2,494,294
Total assets less current liabilities		**5,358,611**	4,662,471

CONSOLIDATED BALANCE SHEET

As at 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	38	**262,742**	262,742
Share premium and reserves	39	**2,841,271**	2,745,913
Equity attributable to equity holders of the Company		**3,104,013**	3,008,655
Minority interests		**526,554**	460,234
Total equity		**3,630,567**	3,468,889
Non-current liabilities			
Bank borrowings	37	**1,282,184**	673,652
Loan from a minority shareholder	40	**3,386**	3,005
Other liabilities		**6,155**	—
Deferred tax liabilities	41	**436,319**	516,925
		1,728,044	1,193,582
		5,358,611	4,662,471

BILLY K YUNG
Director

LEUNG CHUN WAH
Director

BALANCE SHEET

As at 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	14	**23,000**	22,000
Property, plant and equipment	15	**8,499**	11,877
Interests in subsidiaries	19	**586,533**	586,630
Available-for-sale financial assets	22	**2,920**	7,990
Deposit paid for acquisition of other investment	24	**—**	77,496
		620,952	705,993
Current assets			
Other inventories	26	**2,948**	2,391
Trade and other receivables, prepayments and deposits	27	**14,891**	18,738
Loan receivable	23	**11,339**	60
Amounts due from subsidiaries	28	**1,959,460**	1,984,111
Amounts due from investees	29	**7,250**	3,624
Pledged cash deposits		**—**	250,000
Cash and cash equivalents		**1,923**	25,385
		1,997,811	2,284,309
Current liabilities			
Trade and other payables	33	**36,694**	46,065
Amounts due to subsidiaries	28	**64,059**	449,933
Amount due to a related party	34	**104,326**	100,000
Taxation liabilities		**—**	4,037
Bank borrowings	37	**162,387**	387,463
		367,466	987,498
Net current assets		**1,630,345**	1,296,811
Total assets less current liabilities		**2,251,297**	2,002,804
Capital and reserves			
Share capital	38	**262,742**	262,742
Share premium and reserves	39	**1,609,539**	1,736,145
		1,872,281	1,998,887
Non-current liabilities			
Bank borrowings	37	**375,086**	—
Deferred tax liabilities	41	**3,930**	3,917
		379,016	3,917
		2,251,297	2,002,804

BILLY K YUNG
Director

LEUNG CHUN WAH
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2008

	Attributable to equity holders of the Company											
	Share capital HK$'000	**Share premium** HK$'000	**Share option reserve of a subsidiary** HK$'000	**Capital redemption reserve** HK$'000	**Translation reserve** HK$'000	**Assets revaluation reserve** HK$'000	**Dividend reserve** HK$'000	**Statutory reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1st January, 2007	262,742	640,099	—	43,822	49,271	1,534	42,039	8,525	1,395,499	2,443,531	270,762	2,714,293
Exchange difference arising on translation of overseas operations	—	—	—	—	70,381	112	—	—	—	70,493	15,726	86,219
Exchange difference arising on translation of overseas associates and jointly controlled entities	—	—	—	—	412	—	—	—	—	412	—	412
Net income recognised directly in equity	—	—	—	—	70,793	112	—	—	—	70,905	15,726	86,631
Net profit for the year	—	—	—	—	—	—	—	—	434,359	434,359	108,186	542,545
Total recognised income and expense for the year	—	—	—	—	70,793	112	—	—	434,359	505,264	123,912	629,176
Released upon wind up of a subsidiary	—	—	—	—	(1,649)	—	—	(48)	—	(1,697)	—	(1,697)
Deemed acquisition of subsidiaries	—	—	—	—	—	140,480	—	—	—	140,480	224,119	364,599
Acquisition of subsidiaries	—	—	—	—	—	33,252	—	—	—	33,252	62,502	95,754
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	—	—	—	(173,752)	(173,752)
Release upon sales of properties	—	—	—	—	—	(33,010)	—	—	—	(33,010)	(47,115)	(80,125)
Interim dividend declared	—	—	—	—	—	—	42,039	—	(42,039)	—	—	—
Recognition of share-based payments *(note 42(b))*	—	—	4,913	—	—	—	—	—	—	4,913	2,106	7,019
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	—	(2,300)	(2,300)
Dividend paid	—	—	—	—	—	—	(84,078)	—	—	(84,078)	—	(84,078)
Final dividend proposed	—	—	—	—	—	—	63,058	—	(63,058)	—	—	—
Appropriations	—	—	—	—	—	—	—	6,900	(6,900)	—	—	—
At 31st December, 2007 and at 1st January, 2008	262,742	640,099	4,913	43,822	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889
Exchange difference arising on translation of overseas operations	—	—	—	—	111,265	—	—	—	—	111,265	8,136	119,401
Exchange difference arising on translation of overseas associates and jointly controlled entities	—	—	—	—	14,739	—	—	—	—	14,739	—	14,739
Net income recognised directly in equity	—	—	—	—	126,004	—	—	—	—	126,004	8,136	134,140
Net profit for the year	—	—	—	—	—	—	—	—	23,563	23,563	50,843	74,406
Total recognised income and expense for the year	—	—	—	—	126,004	—	—	—	23,563	149,567	58,979	208,546
Release upon sales of properties	—	—	—	—	—	(12,155)	—	—	—	(12,155)	(8,417)	(20,572)
Interim dividend declared	—	—	—	—	—	—	15,765	—	(15,765)	—	—	—
Recognition of share-based payments *(note 42(b))*	—	—	36,769	—	—	—	—	—	—	36,769	15,758	52,527
Dividend paid	—	—	—	—	—	—	(78,823)	—	—	(78,823)	—	(78,823)
Final dividend proposed	—	—	—	—	—	—	15,705	—	(15,705)	—	—	—
Appropriations	—	—	—	—	—	—	—	24,757	(24,757)	—	—	—
At 31st December, 2008	262,742	640,099	41,682	43,822	244,419	130,213	15,705	40,134	1,685,197	3,104,013	526,554	3,630,567

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before income tax	**530,924**	741,332
Adjustments for:		
Share of results of associates	**(46,354)**	(80,512)
Share of results of jointly controlled entities	**(7,366)**	(1,635)
Gain on disposal of an associate	**—**	(45,302)
Gain on disposal of a jointly controlled entity	**(176,533)**	—
Gain on disposal of a subsidiary	**(56,115)**	—
Gain on acquisition of minority interests	**—**	(106,987)
Fair value loss/(gain) on investment properties	**64,337**	(92,794)
Fair value loss on investments held for trading and derivative financial instruments	**28,687**	28,457
Depreciation and amortisation	**26,900**	23,608
Impairment loss on financial and non-financial assets	**103,759**	19,411
Reversal of allowance of inventories	**(2,935)**	(5,443)
Reversal of impairment of financial assets	**(7,684)**	(21,008)
Reversal of unutilised provision	**(67,309)**	(23,478)
Share-based payments	**52,527**	7,019
Write back of long outstanding payables	**(3,691)**	(8,025)
Interest income	**(14,178)**	(26,543)
Finance costs	**73,109**	69,284
(Gain)/Loss on disposal of property, plant and equipment	**(469)**	758
Written-off of property, plant and equipment	**364**	146
Exchange difference	**49,253**	94,291
Operating cash flows before movements in working capital	**547,226**	572,579
(Increase)/Decrease in inventories of properties	**(527,350)**	1,128,173
Increase in other inventories	**(7,504)**	(9,188)
Increase in trade and other receivables, prepayments and deposits	**(297,562)**	(356,553)
Decrease/(Increase) in amounts due from associates	**6,535**	(5,460)
Decrease in amounts due from jointly controlled entities	**110,097**	76,406
(Increase)/Decrease in amounts due from investees	**(14,114)**	5,296
Decrease in amount due from a related party	**1,367**	550,797
Decrease/(Increase) in amounts due from minority shareholders	**14,400**	(40,651)
(Increase)/Decrease in investments held for trading	**(7,687)**	119,144
Increase/(Decrease) in trade and other payables	**165,610**	(533,618)
Decrease in sales deposits received	**(49,225)**	(1,070,166)
Increase in amounts due to an associate	**118**	—
Decrease in amounts due to jointly controlled entities	**(1,818)**	(300,532)
Increase in amounts due to related parties	**—**	291
Increase in amounts due to minority shareholders	**18,908**	45,398
Cash (used in)/generated from operations	**(40,999)**	181,916
Hong Kong profits tax paid	**(20,702)**	(17,525)
Tax paid in other jurisdictions	**(176,957)**	(163,226)
Net cash (outflow)/inflow from operating activities	**(238,658)**	1,165

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	2008 **HK$'000**	2007 HK$'000
Investing activities		
Proceeds from disposal of a subsidiary *(note 43(a))*	**75,086**	180
Proceeds from disposal of an associate	**—**	176,892
Proceeds from disposal of a jointly controlled entity *(note 43(b))*	**27,760**	—
Return of deposit/(Deposit paid) for investment in convertible and non-convertible notes	**77,496**	(77,496)
Proceeds from disposal of investment properties	**—**	68,556
Proceeds from disposal of property, plant and equipment	**1,811**	936
Interest received	**33,482**	7,139
Dividend received from an associate	**—**	1,040
Dividend received from a jointly controlled entity	**2,575**	—
Purchase of property, plant and equipment	**(35,974)**	(27,288)
Purchase of investment properties	**(413)**	(3,921)
Additional interest in a subsidiary/Acquisition of subsidiaries	**(93,024)**	(521,568)
Additional interest in jointly controlled entities	**—**	(222,819)
Loan repayment from associates	**27,138**	14,254
(Increase in loans receivable)/Repayment of loans receivable	**(5,420)**	16,652
Deposit received in respect of assets classified as held for sale	**—**	493,329
Decrease/(Increase) in pledged cash deposits	**876,858**	(876,858)
Decrease in restricted cash and deposits	**63,706**	73,254
Amounts recovered from impaired financial assets	**5,968**	21,008
Net cash inflow/(outflow) from investing activities	**1,057,049**	(856,710)
Financing activities		
New bank and other borrowings	**2,115,261**	2,795,223
Repayment of bank and other borrowings	**(2,572,008)**	(1,601,981)
Dividends paid	**(78,823)**	(84,078)
Interest paid	**(150,505)**	(67,150)
Net cash (outflow)/inflow from financing activities	**(686,075)**	1,042,014
Net increase in cash and cash equivalents	**132,316**	186,469
Cash and cash equivalents at 1st January	**704,716**	488,753
Effect of foreign exchange rate change	**36,294**	29,494
Cash and cash equivalents at 31st December	**873,326**	704,716

1. GENERAL INFORMATION

Shell Electric Mfg. (Holdings) Company Limited (the "Company") is a limited company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") comprise property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding.

The consolidated financial statements on pages 19 to 85 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31st December, 2008 were approved for issue by the board of directors on 22nd April, 2009.

2. ADOPTION OF NEW AND REVISED HKFRSS

2.1 Impact of new and revised HKFRSs which are effective during the year

During the year, the Group has adopted, for the first time, the following amendments and interpretations to HKFRSs which are effective for annual periods beginning on 1st January, 2008.

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 these new and revised HKFRSs did not result in significant changes in the Group's accounting policies and had no significant financial impact on the Group's financial statements. Accordingly, no prior period adjustment is required.

2.2 Impact of new and revised HKFRSs which are issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued as at the date of authorisation of these financial statements but not yet effective in the current financial year:

HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 1, HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[4]
HKAS 23 (Revised)	Borrowing Costs[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[6]
HKAS 39 (Amendment)	Eligible Hedged Items[6]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[6]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a Subsidiary, Jointly Controlled Entity or an Associate[4]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[4]
HKFRS 3 (Revised)	Business Combinations[6]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[4]
HKFRS 8	Operating Segments[4]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2008[3]
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[1]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[4]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[2]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[6]
HK(IFRIC) — Int 18	Transfer of Assets from Customers[7]

2. ADOPTION OF NEW AND REVISED HKFRSS (CONTINUED)

2.2 Impact of new and revised HKFRSs which are issued but not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1st July, 2008
[2] Effective for annual periods beginning on or after 1st October, 2008
[3] Generally effective for annual periods beginning on or after 1st January, 2009 unless otherwise stated in the specific HKFRS
[4] Effective for annual periods beginning on or after 1st January, 2009
[5] Effective for annual periods ending on or after 30th June, 2009
[6] Effective for annual periods beginning on or after 1st July, 2009
[7] Effective for transfers of assets from customers received on or after 1st July, 2009

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

HKAS 1 (Revised) Presentation of financial statements
The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKFRS 3 (Revised) Business Combinations
The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July, 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires the use of the purchase method and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July, 2009.

HKFRS 8 Operating Segments
This standard replaces HKAS 14 "Segment reporting". The accounting policy for identifying segments could be based on internal management reporting information that is regularly reviewed by the Group's chief operating decision maker. In contrast HKAS 14 requires the Group to identify two sets of segments (business and geographical) based on the risks and rewards of separating segments. Management anticipate that the adoption of this standard will not affect the identified operating segments of the Group. The new standard will also require a different format of disclosures which would be based on information provided internally to the chief operating decision maker.

HKAS 27 (Revised) Consolidated and Separate Financial Statements
The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Management anticipates that the standard would not result in material impact on the Group's financial statements.

The Group is in the process of assessing the impact of the other new or revised HKFRSs upon initial application but is not yet in a position to state whether they would have material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for investment properties, financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. Their measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 "Critical Accounting Estimates and Judgements".

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (note 3.3) made up to 31st December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. For business combination achieved in stages, adjustment to fair values relating to previously held interests of the acquirer is a revaluation which is dealt with in the asset revaluation reserve in equity.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of 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. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of the subsidiaries are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 "Non-current Assets held for Sale and Discontinued Operations" (note 3.9).

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates and jointly controlled entities (Continued)

Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition reserves of the associates and jointly controlled entities is included in the consolidated reserves.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

In the Company's balance sheet, associates and jointly controlled entities are carried at cost less any impairment losses. The results of the associates and jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable.

When an investment in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.9).

3.5 Goodwill

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

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and subsequently measured at cost less any impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the investment in associates and jointly controlled entities, respectively, rather than recognised as a separate asset on the consolidated balance sheet.

Goodwill is reviewed for impairment annually at the balance sheet date or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.12). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on the disposal.

3.6 Excess over the cost of business combinations

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

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the balance sheet date. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in income statement. Rental income from investment properties is accounted for as described in note 3.28(v).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Investment properties (Continued)

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in asset revaluation reserve. On disposal of the property, the asset revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.12). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

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

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	*Annual rates*
Land and buildings *(note 3.11)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in the income statement.

3.9 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered 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 subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually (note 3.12) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development expenditures

Expenditure incurred on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if the Group can demonstrate the technical feasibility of the intangible asset; how economic benefits are generated from the intangible asset, the availability of resources to complete the development of the intangible asset, the ability to measure the expenditure attributable to the intangible asset reliably, the Group's intention to complete the intangible asset and the Group's ability to use or sell it. Other development expenditure is recognised as an expense in the period in which it is incurred. Deferred development expenditures are stated at cost less any impairment losses and are amortised on a straight-line basis over the commercial lives of the underlying products.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Shopping mall operating right

Shopping mall operating right represents right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortised over the period of operation of 30 years.

3.11 Operating leases

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

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development and properties held for sale. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to the income statement on completion of development of such properties.

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to income statement in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.13 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the balance sheet and financial assets designated by the Group on initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives , are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.28.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.28.

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

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

3.14 Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group. If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

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

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

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in the income statement, is transferred from equity to the income statement.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Impairment losses in respect of debt instruments are reversed through the income statement if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.15 Inventory of properties

Inventory of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the balance sheet date are translated into HK$ at exchange rate prevailing on the balance sheet date. Income and expense items are translated into HK$ at the average exchange rate for the year. The resulting exchange differences are dealt with in the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.18 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.19 Income tax

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary costs incurred in connection with arranging the borrowing.

3.21 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised as an expense in finance costs in the income statement. Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include interest charged on these financial liabilities.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

3.22 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is a contract that requires the issuer (or guarantor) 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 terms of a debt instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Financial guarantee contracts (Continued)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.23 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the year in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit scheme as set out in note 45 are charged as an expense when employees have rendered service entitling them to the contributions.

3.24 Share-based payment transactions

Equity-settled share-based payment

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments e.g. share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

When fair value of equity instruments cannot be estimated reliably, the Group measures the equity instruments at their intrinsic value initially at the date the grantees rendered service and subsequently at each reporting date and when equity instruments are exercised, forfeited or lapsed, with any change in intrinsic value recognised in the income statement.

All equity-settled share-based compensation is ultimately recognised as an expense in income statement unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in income statement with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

Cash-settled share-based payment

The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

3.26 Equity instruments

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

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.28 Revenue and other income recognition

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

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Sale of properties is recognised as revenue when all of the following criteria are met:

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

Deposits received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits received under current liabilities.

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

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

(v) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(vi) Licence fee income is recognised when the licence holders' rights to receive payment have been established.

(vii) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.30 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated income and expenses include corporate income and expenses and other income and expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of investment properties, property, plant and equipment, prepaid lease rental on land, goodwill, other intangible assets inventories, receivables, investments held for trading and operating cash, and mainly exclude corporate assets, available-for-sale financial assets and income tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings incurred for financing purpose.

Capital expenditure comprises additions to investment properties, property, plant and equipment and intangible assets including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and segment assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimates of fair value of investment properties

As disclosed in note 14, the investment properties were revalued at the balance sheet date by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

Impairment of assets

The Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill and other intangible assets are set out in notes 17 and 18.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Particularly for PRC land appreciation tax, and implementation of these taxes varies amongst various PRC cities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at each balance sheet date. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 3.28(ii). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgement.

5. REVENUE

Breakdown of revenue, which also represents the Group's turnover, is as follows:

	2008	2007
	HK$'000	HK$'000
Sales of goods	**1,100,008**	1,328,667
Sales of properties	**1,200,246**	2,090,447
Property management fee income	**56,948**	26,468
Property rental income	**106,726**	83,053
Taxi licence fee income	**38,704**	23,395
Total revenue	**2,502,632**	3,552,030

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into eight operating divisions – electrical household appliances, electric cables, property leasing, property investment and development, securities trading, car rental, computer hardware and software, and direct investments. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Electrical household appliances	—	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and contract manufacturing business
Electric cables	—	manufacturing and trading of electric cables
Property leasing	—	leasing of properties
Property investment and development	—	property investment and development
Securities trading	—	trading of securities
Car rental	—	taxi rental operation
Computer hardware and software	—	development and trading of computer hardware and software
Direct investments	—	direct investments

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments

Segment information about these businesses is presented below:

2008

	Electrical household appliances HK$'000	Electric cables HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	Computer hardware and software HK$'000	Direct investments HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE AND RESULTS										
Segment revenue*	1,057,136	23,398	106,726	1,257,194	—	38,704	19,474	—	—	2,502,632
Segment results	59,474	(1,584)	14,853	419,030	(64,405)	24,818	(10,702)	6,099	—	447,583
Corporate and other unallocated income and expenses										(45,442)
										402,141
Finance costs										(73,109)
Share of results of associates	—	—	46,435	—	—	—	—	(81)	—	46,354
Share of results of jointly controlled entities ("JCE")	—	—	41,581	(36,671)	—	—	2,456	—	—	7,366
Gain on disposal of a JCE										176,533
Impairment loss on interest in a JCE										(28,361)
Profit before income tax										530,924
Income tax expense										(456,518)
Profit for the year										74,406
FINANCIAL POSITIONS										
Segment assets	535,465	24,940	846,633	7,527,001	23,466	243,230	23,934	5,221	—	9,229,890
Interests in associates	—	—	355,335	—	—	—	—	63,525	—	418,860
Loans to associates										128,928
Interests in JCE	—	—	55,494	163,043	—	—	4,263	—	—	222,800
Corporate and other unallocated assets										443,195
Total assets										10,443,673
Segment liabilities	248,738	1,764	41,580	2,874,821	105	44,425	6,013	—	—	3,217,446
Corporate and other unallocated liabilities										3,595,660
Total liabilities										6,813,106
OTHER INFORMATION										
Capital expenditure	15,079	148	413	2,797	—	16,822	22	—	—	
Depreciation and amortisation	8,527	462	5,422	3,948	—	3,647	611	—	—	
Impairment losses recognised in income statement	2,262	1,896	3,491	86,107	—	—	1,355	9,006	—	
Allowance/(Reversal of allowance) for inventories	(2,257)	980	—	—	—	—	(2,069)	—	—	
Write-off of property, plant and equipment	63	—	—	282	—	—	—	—	—	
Fair value loss on investment properties	—	—	64,337	—	—	—	—	—	—	
Reversal of unutilised provision	—	—	—	(67,309)	—	—	—	—	—	
Write back of long outstanding payables	(1,003)	—	—	—	—	(1,675)	—	—	—	
Share option expenses	—	—	—	52,527	—	—	—	—	—	

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

2007

	Electrical household appliances HK$'000	Electric cables HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	Computer hardware and software HK$'000	Direct investments HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE AND RESULTS										
Segment revenue*	1,272,443	31,145	78,992	2,120,976	—	23,395	17,607	—	7,472	3,552,030
Segment results	71,642	5,510	135,605	460,171	13,493	18,681	(22,816)	14,407	6,678	703,371
Corporate and other unallocated income and expenses										(20,204)
										683,167
Finance costs										(69,284)
Share of results of associates	—	—	74,949	—	—	—	—	5,563	—	80,512
Share of results of JCE	—	—	(1,598)	(308)	—	—	3,541	—	—	1,635
Gain on disposal of an associate										45,302
Profit before income tax										741,332
Income tax expense										(198,787)
Profit for the year										542,545
FINANCIAL POSITIONS										
Segment assets:										
Assets classified as held for sale	—	—	—	434,442	—	—	—	—	—	434,442
Other assets	509,871	37,341	782,858	6,708,601	72,338	215,475	27,602	7,980	—	8,362,066
Interests in associates	—	—	312,298	—	—	—	—	54,664	—	366,962
Loans to associates										152,668
Interests in JCE	—	—	—	228,270	—	—	4,321	—	—	232,591
Corporate and other unallocated assets										1,159,660
Total assets										10,708,389
Segment liabilities	210,022	2,501	21,373	3,522,555	6,838	51,728	4,303	1,716	1,887	3,822,923
Corporate and other unallocated liabilities										3,416,577
Total liabilities										7,239,500
OTHER INFORMATION										
Capital expenditure	6,369	151	3,966	42,963	—	12,109	120	—	—	
Depreciation and amortisation	8,405	640	934	7,495	—	1,265	990	—	644	
Impairment losses recognised in income statement	7,678	212	—	4,184	—	—	—	6,900	12	
Allowance/(Reversal of allowance) for inventories	(3,282)	504	—	—	—	—	3,285	—	(5,950)	
Fair value loss on derivative financial instruments	—	—	—	—	8,030	—	—	—	—	
Write-off of property, plant and equipment	130	—	—	—	—	2	14	—	—	
Fair value gain on investment properties	—	—	(92,794)	—	—	—	—	—	—	
Gain on acquisition of minority interests	—	—	—	(106,987)	—	—	—	—	—	
Reversal of unutilised provision	—	—	—	(23,478)	—	—	—	—	—	
Write back of long outstanding payables	—	—	—	(8,025)	—	—	—	—	—	
Share option expenses	—	—	—	7,019	—	—	—	—	—	

* There were no inter-segment sales between different business segments for the years ended 31st December, 2008 and 2007.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments

The Group's operations are located in Hong Kong, other regions of the PRC, Asia other than the PRC, North America (comprising Canada and the United States) and Europe (mainly in the United Kingdom).

An analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods, is as follows:

	2008 HK$'000	2007 HK$'000
Hong Kong	**18,624**	25,667
Other regions of the PRC	**2,018,853**	2,905,023
Asia, other than the PRC	**46,266**	49,188
North America	**265,291**	342,196
Europe	**56,427**	105,448
Others	**97,171**	124,508
	2,502,632	3,552,030

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located:

	Segment assets		**Capital expenditure**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong	**172,980**	238,373	**13**	2
Other regions of the PRC	**8,693,559**	8,130,614	**34,826**	61,252
Asia, other than the PRC	**27,097**	31,859	**—**	—
North America	**313,488**	369,421	**442**	4,424
Europe	**5,510**	14,446	**—**	—
	9,212,634	8,784,713	**35,281**	65,678

7. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income on:		
Bank deposits	**9,564**	16,693
Loans to investees	**1,991**	1,167
Others, including loans receivable	**2,623**	8,683
Total interest income calculated using the effective interest method on financial assets not at fair value through profit or loss	**14,178**	26,543
Dividends from listed equity securities	**971**	1,743
Other rental income	**2,216**	5,687
Handling fee income	**16,220**	7,948
Write back of long outstanding payables	**3,691**	8,025
Sundry income	**6,955**	18,835
	44,231	68,781

8. PROFIT BEFORE INCOME TAX

	2008 HK$'000	2007 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation:		
Prepaid lease rental on land	**607**	704
Other intangible assets^	**4,449**	4,269
Depreciation of property, plant and equipment	**21,844**	18,872
Total amortisation and depreciation	**26,900**	23,845
Auditors' remuneration	**4,090**	5,171
Cost of inventories recognised as expense	**1,485,487**	2,638,093
Donations	**17,634**	3,239
Finance costs *(note (a))*	**73,109**	69,284
(Gain)/Loss on disposal of property, plant and equipment	**(469)**	758
Impairment loss on non-financial assets:		
Property, plant and equipment	**3,224**	—
Prepaid lease rental on land	**199**	—
Inventories of properties	**5,116**	—
Goodwill	**2,283**	—
Interest in a jointly controlled entity	**28,361**	—
Impairment loss on financial assets:		
Loans and receivables#	**63,271**	14,342
Available-for-sale financial assets	**1,305**	5,069
Net foreign exchange gain**	**(2,105)**	(9,273)
Operating lease charge on land and buildings	**3,456**	3,984
Outgoings in respect of investment properties	**13,931**	7,798
Net rental income	**(92,795)**	(75,255)
Research and development costs# *	**824**	607
Staff costs *(note (b))*	**222,949**	147,352
Share of tax of associates		
Current year	**8,629**	44,393
Under provision in prior years	**26**	14,846
Share of tax of jointly controlled entities	**26,370**	(37,752)
Reversal of allowance for inventories^	**(2,935)**	(5,443)
Write-off of property, plant and equipment	**364**	146
Business tax and other levies	**111,808**	174,758

^ included in "Cost of goods and services" on the face of the consolidated income statement
# included in "Other operating expenses" on the face of the consolidated income statement
** included in "Other gains/(losses) — Others" on the face of the consolidated income statement
* excluding depreciation of property, plant and equipment and staff costs

Notes:

(a) Finance costs

	2008 HK$'000	2007 HK$'000
Interest charges on:		
Bank loans and overdrafts		
— wholly repayable within five years	**142,813**	67,939
— wholly repayable over five years	**8,999**	7,664
Other loans wholly repayable within five years	**1,436**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**153,248**	75,603
Bank charges	**1,167**	2,025
Total borrowing costs	**154,415**	77,628
Less: Amount capitalised in properties under development	**(81,306)**	(8,344)
	73,109	69,284

8. PROFIT BEFORE INCOME TAX (CONTINUED)

Notes: (Continued)

(b) Staff costs (including directors' emoluments)

	2008 HK$'000	2007 HK$'000
Salaries, allowances and other benefits	**166,868**	132,832
Retirement fund contributions *(note 45)*	**3,418**	3,068
Equity-settled share-based payments (*note 42(b)*)	**52,527**	7,019
Termination benefits	**136**	4,433
	222,949	147,352

9. INCOME TAX

Income tax expense

	2008 HK$'000	2007 HK$'000
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**1,123**	5,017
Other regions of the PRC		
— Enterprise income tax	**276,580**	165,837
— Land appreciation tax	**272,226**	125,082
Others	**1,022**	—
	550,951	295,936
(Over)/Under provision in prior years		
Hong Kong profits tax	**(117)**	5,305
Other regions of the PRC		
— Enterprise income tax	**18,671**	(3,947)
— Land appreciation tax	**(4,291)**	—
Others	**28**	—
	14,291	1,358
Deferred tax *(note 41)*		
— Income tax	**(104,717)**	(98,507)
— Land appreciation tax	**(4,007)**	—
	(108,724)	(98,507)
	456,518	198,787

(a) Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

(b) Enterprise income tax ("EIT") arising from other regions of the PRC is calculated at 10%–25% (2007: 15%–33%) of the estimated assessable profit.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law"). On 6th December, 2007, the State Council issued Implementation Regulations of the New EIT Law. The New EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the EIT rate for domestic and foreign investment enterprises at a rate of 25% with effect from 1st January, 2008. For those group entities enjoying preferential rate of 15%, the new tax rate is progressively accelerated to 25% over a period of 5 years starting from 1st January, 2008.

Under the new EIT Law, a corporate withholding income tax will be levied on the foreign investor for dividend distributed out of the profits of foreign investment enterprises generated since 1st January, 2008. The withholding income tax rate applicable to the Group is 5% or 10%.

9. INCOME TAX (CONTINUED)

Income tax expense (Continued)

(c) PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

The income tax expenses for the year can be reconciled to the profit before income tax at applicable tax rates as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before income tax	**530,924**	741,332
Tax on profit at the rates applicable to profits in the countries concerned	**138,503**	177,415
Expenses not deductible for tax purpose	**185,079**	110,313
Income not taxable for tax purpose	**(136,917)**	(122,724)
Share of results of associates and jointly controlled entities	**(1,785)**	(14,498)
Tax exemption	**(5,087)**	(4,288)
Effect of change in tax rate on deferred tax assets/liabilities	**(1,117)**	(35,931)
Utilisation of tax losses previously not recognised	**(8,952)**	(32,657)
LAT deductible for calculation of income tax	**(23,373)**	(41,277)
Tax losses not recognised	**24,031**	42,441
Under provision in prior years	**18,582**	1,358
Others	**3,626**	(6,447)
	192,590	73,705
LAT	**263,928**	125,082
	456,518	198,787

Taxation liabilities

Taxation liabilities as at 31st December, 2008 comprise Hong Kong profits tax liabilities of approximately HK$23,000,000 (2007: HK$42,600,000), EIT liabilities of approximately HK$277,100,000 (2007: HK$63,600,000) and LAT liabilities of approximately HK$307,200,000 (2007: HK$109,500,000). EIT liabilities as at 31st December, 2008 include income tax liabilities arising from the disposal of a subsidiary and a jointly controlled entity during the year amounting to approximately HK$153,000,000 (note 43).

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Among the consolidated profit attributable to equity holders of the Company of HK$23,563,000 (2007: HK$434,359,000), a loss of HK$47,783,000 (2007: HK$29,145,000) has been dealt with in the financial statements of the Company.

	2008 **HK$'000**	2007 HK$'000
Loss attributable to equity holders dealt with in the Company's financial statements	**(47,783)**	(29,145)
Final dividends from subsidiaries attributable to profits of previous financial years, approved and paid during the year	**—**	8,000
Company's loss for the year *(note 39)*	**(47,783)**	(21,145)

11. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Interim dividend declared and paid during the year of HK$0.03 (2007: HK$0.08) per ordinary share	**15,765**	42,039
Final dividend proposed after the balance sheet date of HK$0.03 (2007: HK$0.12) per ordinary share	**15,705**	63,058
	31,470	105,097

11. DIVIDENDS (CONTINUED)

The final dividend of HK$0.03 (2007: HK$0.12) per ordinary share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The proposed final dividend was determined based on number of shares in issue as at the date of these financial statements taking into account the share redemption of 2,000,000 shares after the year end.

Dividend recognised as distributions during the year ended 31st December, 2008 amounted to HK$78,823,000 (2007: HK$84,078,000) or HK$0.15 (2007: HK$0.16) per ordinary share.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to the equity holders of the Company of HK$23,563,000 (2007: HK$434,359,000) and the weighted average number of ordinary shares in issue during the year of 525,485,000 (2007: 525,485,000).

The calculation of diluted earnings per share is based on the following data:

	2008 HK$'000	2007 HK$'000
Earnings		
Earnings used in calculating basic earnings per share	**23,563**	434,359
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share#	**(3,549)**	(568)
Earnings for the purpose of calculating diluted earnings per share	**20,014**	433,791

The calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share i.e. the weighted average number of ordinary shares in issue during the year of 525,485,000 (2007: 525,485,000).

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Fees HK$'000	**Salaries, allowances and other benefits HK$'000**	**Retirement fund contributions HK$'000**	**Share-based payments HK$'000**	**Total HK$'000**
2008					
Executive directors					
Mr. Billy K Yung	**120**	**4,694**	**191**	**9,056**	**14,061**
Mdm Yung Ho Wun Ching	**120**	**1,525**	**—**	**—**	**1,645**
Mr. Leung Chun Wah	**120**	**1,213**	**60**	**—**	**1,393**
Mr. Eddie Hurip	**120**	**2,699**	**—**	**362**	**3,181**
Non-executive director					
Mr. Simon Yung Kwok Choi	**120**	**—**	**—**	**—**	**120**
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee *(resigned on 30th January, 2009)*	**120**	**96**	**—**	**—**	**216**
Mr. Shiu-Kit Ngai *(resigned on 19th December, 2008)*	**120**	**72**	**—**	**—**	**192**
Mr. Peter Wong Chung On	**120**	**108**	**—**	**—**	**228**
Mr. Peter Lam	**120**	**120**	**—**	**—**	**240**
	1,080	**10,527**	**251**	**9,418**	**21,276**

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement fund contributions HK$'000	Share-based payments HK$'000	Total HK$'000
2007					
Executive directors					
Mr. Billy K Yung	120	5,511	230	1,210	7,071
Mdm Yung Ho Wun Ching	120	1,601	—	—	1,721
Mr. Leung Chun Wah	120	1,651	69	—	1,840
Mr. Plato Poon Chak Sang *(resigned on 1st July, 2007)*	60	970	27	—	1,057
Mr. Eddie Hurip	120	2,563	—	48	2,731
Non-executive director					
Mr. Simon Yung Kwok Choi	120	—	—	—	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee	120	96	—	—	216
Mr. Shiu-Kit Ngai	120	72	—	—	192
Mr. Peter Wong Chung On	120	108	—	—	228
Mr. Peter Lam	120	180	—	—	300
	1,140	12,752	326	1,258	15,476

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

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 3 (2007: 2) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining 2 (2007: 3) were as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and other benefits	**4,230**	6,853
Retirement fund contributions	**12**	100
Share-based payments	**11,411**	1,524
	15,653	8,477

Their emoluments were within the following bands:

	Number of employee	
	2008	2007
HK$1,500,001–HK$2,000,000	**—**	1
HK$2,000,001–HK$2,500,000	**—**	1
HK$4,000,001–HK$4,500,000	**1**	1
HK$11,500,001–HK$12,000,000	**1**	—

No emolument was paid by the Group to any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1st January	**791,956**	708,118	**22,000**	18,970
Translation adjustment	**19,188**	4,801	**—**	—
Additions	**413**	3,921	**—**	—
Addition through acquisition of a subsidiary	**—**	32,739	**—**	—
(Decrease)/Increase in fair value	**(64,337)**	92,794	**1,000**	3,030
Disposals	**—**	(63,600)	**—**	—
Transfer from assets classified as held for sale	**—**	7,212	**—**	—
Transfer from inventories of properties	**—**	5,971	**—**	—
Carrying amount at 31st December	**747,220**	791,956	**23,000**	22,000

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong, held under long leases	**136,000**	135,280	**23,000**	22,000
In other regions of the PRC, held under medium-term leases	**339,780**	325,176	**—**	—
In the USA, freehold	**271,440**	331,500	**—**	—
	747,220	791,956	**23,000**	22,000

Investment properties which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2008 by Knight Frank Petty Limited and CB Richard Ellis Limited on an open market basis. The valuations were arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalisation of net income. Investment properties situated in the USA were revalued as at 31st December, 2008 by Cushman & Wakefield of California on an income approach with reference to comparable market conditions. Knight Frank Petty Limited, CB Richard Ellis Limited and Cushman & Wakefield of California are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 47.

In securing a three-year term loan from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$136,000,000 as at 31st December 2008.

Certain investment properties of a subsidiary with a total carrying value of HK$65,142,000 as at 31st December, 2007 had been impounded by the court of the PRC government. During the current year, the Group received a court order regarding the release of those properties as further detailed in note 36.

Certain investment properties of the Group are pledged as further detailed in note 46.

Further particulars of the investment properties are included on page 88.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2007	117,047	40,158	59,985	69,312	13,809	300,311
Translation adjustment	6,732	2,619	3,225	2,226	835	15,637
Additions	137	3,531	99	4,815	18,706	27,288
Additions through acquisition of subsidiaries	—	—	—	1,327	3,181	4,508
Disposals	(184)	(1,058)	—	(7,347)	(1,109)	(9,698)
Disposal of a subsidiary	—	—	—	(2,291)	—	(2,291)
Write-off	—	(42)	—	(3,878)	—	(3,920)
Transfer to assets classified as held for sale	—	—	—	(246)	—	(246)
Transfer from inventories of properties	26,292	—	—	—	—	26,292
At 31st December, 2007 and 1st January, 2008	150,024	45,208	63,309	63,918	35,422	357,881
Translation adjustment	7,715	2,556	2,931	2,182	1,795	17,179
Additions	10,091	1,996	—	5,052	18,835	35,974
Disposals	(1,606)	—	—	(32)	(631)	(2,269)
Write-off	—	(166)	(1,192)	(1,875)	(475)	(3,708)
Transfer from inventories of properties	10,394	—	—	—	—	10,394
At 31st December, 2008	**176,618**	**49,594**	**65,048**	**69,245**	**54,946**	**415,451**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2007	25,834	26,044	59,611	44,430	5,368	161,287
Translation adjustment	1,541	1,792	3,216	1,737	471	8,757
Depreciation provided	4,702	3,445	132	6,603	3,990	18,872
Disposals	(61)	(690)	—	(5,478)	(710)	(6,939)
Disposal of a subsidiary	—	—	—	(1,117)	—	(1,117)
Write-off	—	(25)	—	(3,749)	—	(3,774)
Transfer to assets classified as held for sale	—	—	—	(141)	—	(141)
At 31st December, 2007 and 1st January, 2008	32,016	30,566	62,959	42,285	9,119	176,945
Translation adjustment	1,556	1,728	2,925	1,410	498	8,117
Impairment	3,224	—	—	—	—	3,224
Depreciation provided	4,340	3,352	138	6,677	7,337	21,844
Disposals	(359)	—	—	(26)	(542)	(927)
Write-off	—	(118)	(1,192)	(1,592)	(442)	(3,344)
At 31st December, 2008	**40,777**	**35,528**	**64,830**	**48,754**	**15,970**	**205,859**
NET CARRYING AMOUNT						
At 31st December, 2008	**135,841**	**14,066**	**218**	**20,491**	**38,976**	**209,592**
At 31st December, 2007	118,008	14,642	350	21,633	26,303	180,936

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE COMPANY

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2007	3,085	366	479	19,315	6,045	29,290
Additions	—	—	—	580	2,200	2,780
Disposals	—	—	—	(49)	—	(49)
At 31st December, 2007 and 1st January, 2008	3,085	366	479	19,846	8,245	32,021
Additions	—	—	—	307	799	1,106
Disposals	(1,606)	—	—	(23)	—	(1,629)
At 31st December, 2008	**1,479**	**366**	**479**	**20,130**	**9,044**	**31,498**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2007	633	346	479	13,249	2,419	17,126
Depreciation provided	62	12	—	1,468	1,525	3,067
Disposals	—	—	—	(49)	—	(49)
At 31st December, 2007 and 1st January, 2008	695	358	479	14,668	3,944	20,144
Depreciation provided	48	5	—	1,322	1,842	3,217
Disposals	(359)	—	—	(3)	—	(362)
At 31st December, 2008	**384**	**363**	**479**	**15,987**	**5,786**	**22,999**
NET CARRYING AMOUNT						
At 31st December, 2008	**1,095**	**3**	**—**	**4,143**	**3,258**	**8,499**
At 31st December, 2007	2,390	8	—	5,178	4,301	11,877

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group and the Company are analysed as follows:

	THE GROUP		THE COMPANY	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
In Hong Kong, held under long leases	**3,873**	4,073	**1,095**	1,124
In other regions of the PRC, held under				
— medium-term leases	**142,760**	122,610	**—**	—
— long leases	**4,606**	5,950	**—**	1,266
In the USA, freehold	**6,365**	6,456	**—**	—
	157,604	139,089	**1,095**	2,390
Land and buildings included in property, plant and equipment	**135,841**	118,008	**1,095**	2,390
Prepaid lease rental on land *(note 16)*	**21,763**	21,081	**—**	—
	157,604	139,089	**1,095**	2,390

Certain properties of a subsidiary with a total carrying value of HK$4,798,000 as at 31st December, 2007 had been impounded by the court of the PRC government. During the current year, the Group received a court order regarding the release of those properties as further detailed in note 36.

In securing a three-year term loan from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$77,835,000 as at 31st December 2008.

16. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1st January	**21,081**	17,011
Translation adjustment	**1,295**	1,210
Amortisation charged	**(607)**	(704)
Impairment loss	**(199)**	—
Transfer from inventories of properties	**193**	3,564
Carrying amount at 31st December	**21,763**	21,081
Analysed into:		
Non-current portion included in non-current assets	**21,239**	20,592
Current portion included in current assets	**524**	489
	21,763	21,081

17. GOODWILL

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1st January	**106,173**	66,643
Translation adjustment	**2,275**	1,142
Acquisition of subsidiaries	**—**	38,388
Elimination on disposals of indirectly held subsidiary and jointly controlled entity *(note (a))*	**(21,231)**	—
Impairment loss	**(2,283)**	—
Carrying amount at 31st December *(note (b))*	**84,934**	106,173

Notes:

(a) As mentioned in note 43, the Group had disposed of an indirectly held subsidiary, 安徽博鴻房地產開發有限公司, and an indirectly held jointly controlled entity, 廣州市環博展覽有限公司, during the year. Goodwill of HK$1,793,000 and HK$19,438,000 allocated to these cash generating units were eliminated accordingly.

(b) The amount of goodwill at year end is allocated to the cash-generating units within property investment and development segment and is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by the management covering a period of 3 years up to year 2011. Based on the results of the impairment testing, management determines that there are no impairment of these cash-generating units within property investment and development segment attributed to the goodwill.

Key assumptions including gross profit margin of 25% to 45% (2007: 20% to 40%) and growth rate by reference to the Gross Domestic Products Index in the PRC were used by the management in the value in use calculations of these cash-generating units within property investment and development segment. These assumptions have been determined based on past performance and its expectations for the market development. The discount rate applied to the cash flow projections is 14% (2007: 35%) which is pre-tax and reflects specific risks relating to the cash-generating units within property investment and development segment.

Apart from the considerations described above in determining the value in use of the cash generating units of property investment and development, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. OTHER INTANGIBLE ASSETS

THE GROUP

	Taxi licences HK$'000	Shopping mall operating right HK$'000	Total HK$'000
COST			
At 1st January, 2007	209,465	57,769	267,234
Translation adjustment	15,279	5,040	20,319
At 31st December, 2007 and 1st January, 2008	224,744	62,809	287,553
Translation adjustment	13,890	4,582	18,472
At 31st December, 2008	**238,634**	**67,391**	**306,025**
AMORTISATION AND IMPAIRMENT			
At 1st January, 2007	39,766	8,368	48,134
Translation adjustment	2,901	1,436	4,337
Amortisation charged	—	4,269	4,269
At 31st December, 2007 and 1st January, 2008	42,667	14,073	56,740
Translation adjustment	2,637	1,608	4,245
Amortisation charged	—	4,449	4,449
At 31st December, 2008	**45,304**	**20,130**	**65,434**
NET CARRYING AMOUNT			
At 31st December, 2008	**193,330**	**47,261**	**240,591**
At 31st December, 2007	182,077	48,736	230,813

The carrying amount of taxi licences as at 31st December, 2008 is tested for impairment by the management by estimating its recoverable amount based on a value in use calculation. The calculation uses cash flow projection based on the financial budgets approved by the management covering a period up to the year 2023. The existing business licence of the subsidiary engaging in taxi rental operation will expire in year 2013 and in determining the recoverable amount of the taxi licences, the management has assumed that the application for extending the business period of the subsidiary by 10 years to year 2023 will be approved by the PRC government.

Other key assumptions used by management in the value in use calculation of the taxi licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group remains the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the year, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 8% (2007: 9%) which reflects specific risks relating to the taxi rental operation.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**676,962**	677,059
Less: Impairment	**(90,429)**	(90,429)
	586,533	586,630

Details of the Company's principal subsidiaries as at 31st December, 2008 are set out in note 53. Certain of the Group's interests in subsidiaries are pledged as further detailed in note 46.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**—**	101
Share of net assets	**418,010**	366,112	**—**	—
Goodwill on acquisition of an associate	**850**	850	**—**	—
	418,860	366,962	**—**	101
Less: Impairment	**—**	—	**—**	(101)
	418,860	366,962	**—**	—

Details of the Group's principal associates as at 31st December, 2008 are set out in note 54.

The following illustrates the summarised financial information of the Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis	
	2008	2007
	HK$'000	HK$'000
Results for the year		
Revenue	**1,104,349**	835,591
Profit	**167,345**	286,170
Financial positions		
Assets	**3,910,594**	3,820,224
Liabilities	**(2,437,661)**	(2,527,368)
Net assets	**1,472,933**	1,292,856

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**222,410**	205,650
Goodwill on acquisition	**28,751**	26,941
	251,161	232,591
Less: Impairment	**(28,361)**	—
	222,800	232,591

Details of the Group's principal jointly controlled entities as at 31st December, 2008 are set out in note 55.

During the year, the Group has recognised impairment loss of HK$28,361,000 for its interest in a jointly controlled entity, which is engaging in property development in the PRC. Due to the decrease in estimated net realisable value of the properties under development owned by the jointly controlled entity, the Group has revised the cash flow forecast and reduced the carrying value of this cash generating unit to its recoverable amount as at 31st December, 2008 through recognition of impairment. The pre-tax discount rate used in the forecast is 14%. The amount of the impairment loss for the year is attributed to the Group's property investment and development segment.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The following illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2008 HK$'000	2007 HK$'000
Share of results for the year		
Revenue	**10,697**	17,014
Profit after income tax expenses	**7,366**	1,635
Share of assets and liabilities		
Total non-current assets	**117,454**	1,512
Total current assets	**532,326**	248,994
Total current liabilities	**(361,174)**	(43,045)
Total non-current liabilities	**(66,196)**	(1,811)
	222,410	205,650

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP AND THE COMPANY	
	2008 HK$'000	2007 HK$'000
Unlisted investments:		
Convertible notes	**—**	5,070
Club debentures *(note)*	**2,920**	2,920
	2,920	7,990

Note: Club debentures are stated at cost less impairment.

23. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Loans receivable from:				
Investees *(note (a))*	**14,212**	—	**8,996**	—
Associates *(note (b))*	**128,928**	152,668	**—**	—
Others *(note (c))*	**40,593**	49,730	**11,339**	6,843
	183,733	202,398	**20,335**	6,843
Less: Impairment *(notes (a) and (c))*	**(38,250)**	(45,877)	**(8,996)**	(6,783)
	145,483	156,521	**11,339**	60
Analysed into:				
Amount repayable in more than one year included in non-current assets	**130,138**	152,668	**—**	—
Amount repayable within one year included in current assets	**15,345**	3,853	**11,339**	60
	145,483	156,521	**11,339**	60

23. LOANS RECEIVABLE (CONTINUED)

Notes:

(a) The loans to investees are unsecured, interest-bearing at 4%–9% per annum and repayable as to HK$5,796,000 within twelve months from the balance sheet date and HK$8,416,000 after twelve months from the balance sheet date. Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, impairment provision of HK$8,996,000 was made in respect of the loan balance.

(b) The loans to associates are unsecured and interest-free. The amortised costs of the loans to associates as at 31st December, 2008 are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. The loans to associates will not be repayable within twelve months from the balance sheet date and accordingly, are shown as non-current assets.

Having considered the financial position of these associates, and the status of settlements from them, the management assessed that there is no indication of impairment in respect of these loans.

(c) The balances are unsecured, interest-bearing at 5% - 8% per annum and repayable on demand. Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, impairment provision of HK$29,254,000 (2007: HK$45,877,000) was made in respect of the balances.

In the opinion of the directors, the carrying amounts of these loans receivable at the balance sheet date approximate their fair values.

24. DEPOSIT PAID FOR ACQUISITION OF OTHER INVESTMENT

On 26th April, 2007, the Company entered into an agreement with third parties to subscribe for convertible and non-convertible notes in an aggregate principal amount of S$17,000,000 in cash. Pursuant to the agreement, the Company paid a deposit of S$2,000,000 to the third parties and another deposit of S$15,000,000 under an escrow account.

As at 31st December, 2007, the Company has already subscribed for the underlying convertible notes in respect of the deposit paid of S$2,000,000 (equivalent to approximately HK$10,139,000) which were accounted for as available-for-sale financial assets. However, certain conditions for subscribing the underlying convertible and non-convertible notes in respect of the deposit paid of S$15,000,000 (equivalent to approximately HK$77,496,000) which was classified as "Deposit paid for acquisition of other investment" as at 31st December, 2007 were not fulfilled by the third parties up to the fulfillment date and accordingly, management has during the year decided to terminate the subscription. The deposit of S$15,000,000 was returned to the Company during the current year.

25. INVENTORIES OF PROPERTIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Properties under development, at cost	**5,196,004**	3,614,855
Properties held for sale, at cost	**903,489**	1,331,542
	6,099,493	4,946,397

As at the balance sheet date, properties under development amounting to HK$3,220,400,000 (2007: HK$3,614,855,000) are not expected to be recovered within twelve months from the balance sheet date.

The Group's properties under development and properties held for sale are located in other regions of the PRC. As at the balance sheet date, leasehold interests in land included in inventories of properties which are held under medium leases amounted to HK$1,383,869,000 (2007: HK$1,236,712,000).

Certain inventories of properties of a subsidiary with a total carrying value of HK$77,427,000 as at 31st December, 2007 had been impounded by the court of the PRC government. During the current year, the Group received a court order regarding the release of the properties as further detailed in note 36.

Certain inventories of properties are pledged by the Group for obtaining certain banking facilities with further details stated in note 46.

26. OTHER INVENTORIES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**72,290**	70,686	**—**	—
Work-in-progress	**6,636**	4,501	**—**	—
Finished goods	**45,302**	38,602	**2,948**	2,391
	124,228	113,789	**2,948**	2,391
Inventories stated				
At cost	**107,668**	103,002	**2,948**	2,391
At net realisable value	**16,560**	10,787	**—**	—
	124,228	113,789	**2,948**	2,391

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**284,390**	212,645	**4,510**	4,168
Less: Impairment of trade receivables	**(22,701)**	(13,805)	**(2,546)**	(2,651)
Trade receivables, net *(note (a))*	**261,689**	198,840	**1,964**	1,517
Prepayments and deposits *(note (b))*	**690,059**	537,061	**1,877**	1,391
Other receivables	**84,896**	322,891	**11,050**	15,830
	1,036,644	1,058,792	**14,891**	18,738

Notes:

(a) The aged analysis of the trade receivables (based on invoice date) net of impairment allowance as at the balance sheet date is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**108,982**	86,339	**1,928**	1,338
31–60 days	**66,713**	71,379	**5**	9
61–90 days	**45,710**	13,722	**4**	119
91–180 days	**38,071**	21,592	**11**	51
181–360 days	**916**	2,292	**10**	—
Over 360 days	**1,297**	3,516	**6**	—
	261,689	198,840	**1,964**	1,517

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary from different agreements.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and the Group would consider allowance for impairment of trade receivables which are aged one year or above.

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

(a) (Continued)

The movement in the allowance for impairment of trade receivables during the year is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**13,805**	19,275	**2,651**	2,761
Translation adjustment	**360**	298	**—**	—
Impairment losses recognised	**10,328**	3,497	**—**	—
Impairment losses reversed	**(1,553)**	(192)	**—**	—
Amounts written off as uncollectible	**(239)**	(7,883)	**(105)**	(110)
Transfer to assets held for sale	**—**	(1,190)	**—**	—
At 31st December	**22,701**	13,805	**2,546**	2,651

At each balance sheet date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As of 31st December, 2008, the Group's and the Company's trade receivables of HK$22,701,000 (2007: HK$13,805,000) and HK$2,546,000 (2007: HK$2,651,000) respectively were impaired and the amounts of allowance made in respect of the balances were HK$22,701,000 (2007: HK$13,805,000) and HK$2,546,000 (2007: HK$2,651,000) respectively. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered. The Group and the Company do not hold any collateral over these balances. The ageing analysis of trade receivables which were impaired and for which allowance was made for as at the balance sheet date is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**298**	341	**—**	—
31–60 days	**132**	697	**—**	168
61–90 days	**905**	2	**—**	3
91–180 days	**499**	291	**—**	1
181–360 days	**1,276**	166	**—**	—
Over 360 days	**19,591**	12,308	**2,546**	2,479
	22,701	13,805	**2,546**	2,651

The ageing analysis of trade receivables that are past due but are not considered impaired as at the balance sheet date, based on due date is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
61–90 days	**45,710**	13,722	**4**	119
91–180 days	**38,071**	21,592	**11**	51
181–360 days	**916**	2,292	**10**	—
Over 360 days	**1,297**	3,516	**6**	—
	85,994	41,122	**31**	170

Trade receivables that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group and the Company. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes: (Continued)

(b) The balances of prepayments and deposits as at 31st December, 2008 include the followings:

(i) An amount of HK$250,276,000 (2007: HK$381,955,000) was paid by the Group for the primary development on certain areas in Hohhot, Inner Mongolia (the "Land"). During the year, the Group successfully acquired the land use right for certain area of the Land through a public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the primary development of the Land. It is the assessment as well as intention of the directors that the amount of prepayment made for the primary development of the Land as at 31st December, 2008 can be fully recovered through similar land auction exercise in future.

(ii) An amount of HK$226,780,000 (2007: HK$160,185,000) was paid by the Group to a third party, 深圳市眾望投資集團有限公司 ("Shenzhen Zhongwang"), in relation to certain potential investments in the PRC. The amount is secured by an unconditional right granted to the Group for acquiring 30% equity interest in a PRC entity, 惠州眾望光耀城房地產有限公司, which is engaging in property development in the PRC and is 100% held by Shenzhen Zhongwang. The amount paid to Shenzhen Zhongwang as at 31st December, 2007 was classified as other receivable.

Trade and other receivables are short term and hence the directors consider the carrying amount of trade and other receivables approximate their fair values.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and repayable on demand. Except for an amount of HK$48,447,000 (2007: HK$284,764,000) which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. Except for an amount of HK$16,994,000 (2007: HK$67,301,000) which is interest-bearing at prevailing market rate, the balances due to the subsidiaries are interest-free. The directors consider that the carrying amounts of the balances approximate their fair values.

29. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES/INVESTEES/MINORITY SHAREHOLDERS AMOUNT DUE TO AN ASSOCIATE

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the above balance approximate their fair values.

30. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**11,349**	30,531
Listed outside Hong Kong	**9,294**	17,850
	20,643	48,381

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 46.

31. RESTRICTED CASH AND DEPOSITS

In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of the related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 31st December, 2008 was HK$52,582,000 (2007: HK$99,890,000).

Other than the above, cash balance placed with certain security brokers amounting to HK$16,398,000 as at 31st December, 2007 was restricted for the purpose of securities trading. The cash balance deposited with these security brokers as at 31st December, 2008 was not subject to such restriction and was therefore included in cash and cash equivalents.

32. CASH AND CASH EQUIVALENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Cash at bank, in hand and deposited with security brokers	**925,908**	1,697,862
Less: Restricted cash and deposits classified under current assets (*note 31*)	**(52,582)**	(116,288)
Less: Pledged cash deposits classified under current assets	**—**	(876,858)
	873,326	704,716

As at 31st December, 2008, cash balance denominated in Renminbi ("RMB") amounted to approximately HK$866,120,000 (2007: HK$1,313,796,000). The RMB is not freely convertible into other currencies.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair value of the short-term deposits is not materially different from their carrying amount because of the short maturity period.

33. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,462,252**	1,290,662	**12,495**	9,684
Temporary receipts	**37,690**	33,651	**121**	54
Deferred income	**17,509**	23,672	**—**	—
Other payables and accruals	**819,861**	783,475	**22,140**	33,501
Deposit received	**41,434**	33,976	**1,938**	2,826
	2,378,746	2,165,436	**36,694**	46,065

The ageing analysis of trade payables (based on invoice date) is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**670,690**	381,047	**10,763**	7,624
31–60 days	**27,639**	43,480	**1,291**	379
61–90 days	**15,521**	18,597	**21**	555
91–180 days	**10,424**	453,855	**11**	24
181–360 days	**166,389**	1,655	**8**	63
Over 360 days	**571,589**	392,028	**401**	1,039
	1,462,252	1,290,662	**12,495**	9,684

Trade and other payables are short term and hence the directors consider the carrying amounts of trade and other payables approximate their fair values.

34. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/RELATED PARTIES

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balance approximate their fair values.

35. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair value.

36. PROVISIONS

THE GROUP

	Provision for claim HK$'000	Guarantee HK$'000	Total HK$'000
At 1st January, 2007	—	23,478	23,478
Translation adjustment	—	2,464	2,464
Recognised on acquisition of a subsidiary	16,000	60,277	76,277
Provision utilised	(16,000)	—	(16,000)
Reversal of unutilised provision	—	(23,478)	(23,478)
Additional provision	—	1,992	1,992
At 31st December, 2007 and 1st January, 2008	—	64,733	64,733
Translation adjustment	—	2,576	2,576
Reversal of unutilised provision	—	(67,309)	(67,309)
At 31st December, 2008	—	—	—

In prior year, a guarantee provision was made in respect of the maximum amount of guarantee of RMB50 million issued by a subsidiary in favour of a former equity holder of the subsidiary as security for the loans granted by a bank in the PRC to the former equity holder. As the former equity holder could not repay the loans, the bank claimed the subsidiary for repayment on behalf of the former equity holder in prior years. Pursuant to a court order issued by the PRC government prior to 31st December, 2007, the subsidiary is liable to the claim and certain properties of the subsidiary including investment properties, property, plant and equipment and inventories of properties with carrying value of HK$65,142,000, HK$4,798,000 and HK$77,427,000, respectively, as at 31st December, 2007 had been impounded by the court. The amount of provision of HK$64,733,000 as at 31st December, 2007 comprises the maximum amount of guarantee issued and the interest accrual for the loans.

Pursuant to the subsequent court order issued by the PRC government on 17th June, 2008, settlement agreement has been made between the former equity holder and the bank and, based on the request from the bank, legal proceeding against the subsidiary was withdrawn and the impounded properties were released. Accordingly, the directors of the Company consider that there is no financial impact arising from the guarantee issued by the subsidiary and full amount of the provision was reversed in the current year.

37. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Bank loans				
Secured	**1,883,169**	1,993,605	**300,000**	—
Unsecured	**328,194**	565,735	**237,473**	387,463
	2,211,363	2,559,340	**537,473**	387,463

37. BANK BORROWINGS (CONTINUED)

The maturity of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
Due within one year	**929,179**	1,885,688	**162,387**	387,463
Due more than one year, but not exceeding two years	**448,414**	573,728	**48,771**	—
Due more than two years, but not exceeding five years	**794,083**	11,720	**326,315**	—
Due more than five years	**39,687**	88,204	**—**	—
	2,211,363	2,559,340	**537,473**	387,463
Less: Amounts due within one year included in current liabilities	**(929,179)**	(1,885,688)	**(162,387)**	(387,463)
Amounts due after one year included in non-current liabilities	**1,282,184**	673,652	**375,086**	—

The carrying amounts of the bank loans are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**400,357**	378,403	**400,352**	370,531
RMB	**1,530,766**	1,886,979	**—**	—
US Dollar	**280,240**	293,958	**137,121**	16,932
	2,211,363	2,559,340	**537,473**	387,463

Among the bank loans as at 31st December, 2008, HK$178,098,000 (2007: HK$1,217,406,000) were arranged at fixed interest rates ranging from 0.95% to 3.84% (2007: 5.27% to 8.02%) per annum and the remaining balance of bank loans of HK$2,033,265,000 (2007: HK$1,341,934,000) are arranged at floating rates ranging from 3.15% to 7.72% (2007: 3.55% to 9.71%) per annum.

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

38. SHARE CAPITAL

	2008		2007	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
(a) Authorised:				
Ordinary share of HK$0.50 each				
Balance at beginning and end of year	**900,000**	**450,000**	900,000	450,000
(b) Issued and fully paid:				
Ordinary shares of HK$0.50 each				
Balance at beginning and end of year	**525,485**	**262,742**	525,485	262,742

None of the Company or its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

38. SHARE CAPITAL (CONTINUED)

The share capital of the Company comprises only of fully paid ordinary shares with a par value of HK$262,742,000. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meetings of the Company.

39. SHARE PREMIUM AND RESERVES

THE GROUP

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 23. The nature and purpose of reserves are as follows:

Share premium and capital redemption reserve

The application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance.

Share option reserve of a subsidiary

Share option reserve of a subsidiary has been set up in accordance with the accounting policy set out in note 3.24.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.17.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in notes 3.2 and 3.7.

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

THE COMPANY

Details of the movements on the Company's share premium and reserves are as follows:

	Share premium HK$'000	**Capital redemption reserve** HK$'000	**Dividend reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1st January, 2007	640,099	43,822	42,039	1,115,408	1,841,368
Net loss for the year/Total recognised income and expense for the year	—	—	—	(21,145)	(21,145)
Interim dividend declared	—	—	42,039	(42,039)	—
Dividends paid	—	—	(84,078)	—	(84,078)
Final dividend proposed	—	—	63,058	(63,058)	—
At 31st December, 2007 and 1st January, 2008	640,099	43,822	63,058	989,166	1,736,145
Net loss for the year/Total recognised income and expense for the year	—	—	—	(47,783)	(47,783)
Interim dividend declared	—	—	15,765	(15,765)	—
Dividends paid	—	—	(78,823)	—	(78,823)
Final dividend proposed *(note 11)*	—	—	15,705	(15,705)	—
At 31st December, 2008	640,099	43,822	15,705	909,913	1,609,539

39. SHARE PREMIUM AND RESERVES (CONTINUED)

THE COMPANY (Continued)

The Company's reserves available for distribution to shareholders are as follows:

	2008 HK$'000	2007 HK$'000
Dividend reserve	**15,705**	63,058
Retained profits	**909,913**	989,166
	925,618	1,052,224

40. LOAN FROM A MINORITY SHAREHOLDER

The loan is unsecured, interest-free and not repayable within twelve months from the balance sheet date. The fair value of the loan is calculated by discounting the expected future cash flows at prevailing interest rate.

41. DEFERRED TAX

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

THE GROUP

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on trade receivables HK$'000	Inventories of properties HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2007	5,634	9,449	(483)	157,435	23,243	(7,656)	1,182	188,804
Translation adjustment	269	782	—	8,492	550	(208)	93	9,978
Effect of change in tax rate charged/(credited) to income statement	—	(2,449)	—	(38,166)	2,488	1,856	340	(35,931)
Acquisition of subsidiaries	—	—	—	416,650	—	—	—	416,650
Charged/(Credited) to income statement	(4,125)	4,586	20	(77,432)	8,665	6,008	(298)	(62,576)
At 31st December, 2007 and 1st January, 2008	1,778	12,368	(463)	466,979	34,946	—	1,317	516,925
Translation adjustment	—	807	—	24,312	1,005	—	86	26,210
Effect of change in tax rate charged/(credited) to income statement	(100)	—	27	—	(1,049)	—	5	(1,117)
Charged/(Credited) to income statement	(694)	4,911	381	(120,079)	9,282	—	(1,408)	(107,607)
At 31st December, 2008	984	18,086	(55)	371,212	44,184	—	—	434,411

Represented by:

	2008 HK$'000	2007 HK$'000
Deferred tax liabilities	**436,319**	516,925
Deferred tax assets	**(1,908)**	—
	434,411	516,925

41. DEFERRED TAX (CONTINUED)

THE GROUP (Continued)

At the balance sheet date, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2008 HK$'000	2007 HK$'000
2008	—	6,788
2009	23,679	22,395
2010	64,540	68,971
2011	9,969	24,873
2012	23,958	40,399
2013	13,217	1,910
2014	—	4,867
2018	—	22,376
2019	9,980	63,782
2020	10,629	20,101
2021	7,482	7,482
2022	2,970	4,230
2024	9,805	9,834
2025	2,868	2,868
2026	1,380	1,383
Carried forward indefinitely	100,515	44,284
	280,992	346,543

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the U.S.A. may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of HK$55,000,000 have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain subsidiaries as, in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$628,000,000 as at 31st December, 2008.

THE COMPANY

	Accelerated tax depreciation HK$'000	Allowance on trade receivables HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2007	1,908	(483)	2,128	(87)	3,466
Charged/(Credited) to income statement	(160)	20	593	(2)	451
At 31st December, 2007 and 1st January, 2008	1,748	(463)	2,721	(89)	3,917
Effect of change in tax rate charged/(credited) to income statement	(100)	27	(156)	5	(224)
Charged/(Credited) to income statement	(693)	436	410	84	237
At 31st December, 2008	955	—	2,975	—	3,930

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

42. SHARE OPTION SCHEMES

The Company

At the annual general meeting of the Company held on 11th May, 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11th May, 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

Subsidiaries

(a) Appeon Corporation and Galactic Computing Corporation

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for further issue under the Appeon Scheme amounted to 1,000,984 (subject to approval of the shareholders of the Company) which represented 27.36% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2008 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options of Appeon: As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
Mr. Billy K Yung	09.06.2003	09.06.2003–10.11.2012	2.50	6,750	—	—	6,750
	09.06.2003	01.10.2003–10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.04.2004–10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.10.2004–10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.04.2005–10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.10.2005–10.11.2012	2.50	3,375	—	—	3,375
	09.06.2003	01.04.2006–10.11.2012	2.50	3,375	—	—	3,375
				27,000	—	—	27,000
Other directors of Appeon	25.11.2002	25.11.2002–10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2003–10.11.2012	2.50	563	—	—	563
	25.11.2002	01.10.2003–10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2004–10.11.2012	2.50	563	—	—	563
	25.11.2002	01.10.2004–10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2005–10.11.2012	2.50	563	—	—	563
	25.11.2002	01.10.2005–10.11.2012	2.50	562	—	—	562
	25.11.2002	01.04.2006–10.11.2012	2.50	563	—	—	563
	02.06.2003	02.06.2003–10.11.2012	2.50	2,250	(2,250)	—	—
	02.06.2003	01.10.2003–10.11.2012	2.50	1,125	(1,125)	—	—
	02.06.2003	01.04.2004–10.11.2012	2.50	1,125	(1,125)	—	—
	02.06.2003	01.10.2004–10.11.2012	2.50	1,125	(1,125)	—	—
	02.06.2003	01.04.2005–10.11.2012	2.50	1,125	(1,125)	—	—
	02.06.2003	01.10.2005–10.11.2012	2.50	1,125	(1,125)	—	—
	02.06.2003	01.04.2006–10.11.2012	2.50	1,125	(1,125)	—	—
				13,500	(9,000)	—	4,500

42. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon Corporation and Galactic Computing Corporation (Continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options of Appeon: As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
Employees	25.11.2002	25.11.2002–10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2003–10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2003–10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2004–10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2004–10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2005–10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2005–10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2006–10.11.2012	2.50	2,688	—	—	2,688
	02.06.2003	02.06.2003–10.11.2012	2.50	750	—	—	750
	02.06.2003	01.10.2003–10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2004–10.11.2012	2.50	375	—	—	375
	02.06.2003	01.10.2004–10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2005–10.11.2012	2.50	375	—	—	375
	02.06.2003	01.10.2005–10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2006–10.11.2012	2.50	375	—	—	375
	26.09.2005	01.03.2006–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2006–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2007–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2007–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2008–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2008–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2009–10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2009–10.11.2012	3.00	1,250	—	—	1,250
				34,500	—	—	34,500
Consultants of Appeon	25.11.2002	25.11.2002–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2003–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2003–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2004–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2004–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2005–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2005–10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2006–10.11.2012	2.50	1,250	—	—	1,250
	09.06.2003	09.06.2003–10.11.2012	0.10	5,106	—	—	5,106
	09.06.2003	01.10.2003–10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2004–10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.10.2004–10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2005–10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.10.2005–10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2006–10.11.2012	0.10	2,554	—	—	2,554
				30,425	—	—	30,425
				105,425	(9,000)	—	96,425
				HK$	HK$	HK$	HK$
Weighted average exercise price				16.24	19.50	—	15.94

42. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon Corporation and Galactic Computing Corporation (Continued)

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2007 are as follow:

		Number of share options of Appeon			
Grantee	Subscription Price per share US$	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
Directors of Appeon	2.50	40,500	—	—	40,500
	3.00	80,000	(80,000)	—	—
Employees	2.50	49,500	(25,000)	—	24,500
	3.00	30,000	(20,000)	—	10,000
Consultants of Appeon	2.50	10,000	—	—	10,000
	0.10	20,425	—	—	20,425
		230,425	(125,000)	—	105,425
		HK$	HK$	HK$	HK$
Weighted average exercise price		19.70	22.62	—	16.24

No option was exercised by the grantees during the year and in last year.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total number of options available for issue under the Galactic Scheme amounted to 1,762,744 (subject to the approval of the shareholders of the Company) which represented 7.39% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2008 are as follows:

				Number of share options of Galactic			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
Mr. Billy K Yung	09.06.2003	09.06.2003–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2003–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2004–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2004–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2005–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2005–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2006–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2006–10.11.2012	0.45	25,000	—	—	25,000
				200,000	—	—	200,000

42. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon Corporation and Galactic Computing Corporation (Continued)

				Number of share options of Galactic			
Grantee	**Date of grant**	**Period during which options are exercisable**	**Subscription price per share** US$	**As at 1.1.2008**	**Cancelled during the year**	**Granted during the year**	**As at 31.12.2008**
Other directors of Galactic	25.11.2002	01.06.2003–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2003–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2004–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2004–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2005–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2005–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2006–10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2006–10.11.2012	0.45	22,500	—	—	22,500
	09.06.2003	09.06.2003–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.12.2003–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.06.2004–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.12.2004–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.06.2005–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.12.2005–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.06.2006–10.11.2012	0.45	41,250	(31,250)	—	10,000
	09.06.2003	01.12.2006–10.11.2012	0.45	41,250	(31,250)	—	10,000
	31.12.2007	01.01.2008–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2008–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2009–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2009–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2010–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2010–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2011–10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2011–10.11.2012	0.45	372,831	—	—	372,831
				3,492,655	(250,000)	—	3,242,655
Employees	25.11.2002	01.06.2003–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2003–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2004–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2004–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2005–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2005–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2006–10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2006–10.11.2012	0.45	6,250	—	—	6,250
	25.05.2005	25.05.2005–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.10.2005–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.04.2006–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.10.2006–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.04.2007–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.10.2007–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.04.2008–10.11.2012	0.60	6,250	—	—	6,250
	25.05.2005	01.10.2008–10.11.2012	0.60	6,250	—	—	6,250
	31.12.2007	01.01.2008–10.11.2012	0.45	335,554	(96,939)	—	238,615
	31.12.2007	01.07.2008–10.11.2012	0.45	335,542	(96,934)	—	238,608
	31.12.2007	01.01.2009–10.11.2012	0.45	335,554	(106,260)	—	229,294
	31.12.2007	01.07.2009–10.11.2012	0.45	335,542	(106,255)	—	229,287
	31.12.2007	01.01.2010–10.11.2012	0.45	335,553	(106,259)	—	229,294
	31.12.2007	01.07.2010–10.11.2012	0.45	335,546	(106,255)	—	229,291
	31.12.2007	01.01.2011–10.11.2012	0.45	335,550	(106,257)	—	229,293
	31.12.2007	01.07.2011–10.11.2012	0.45	335,548	(106,257)	—	229,291
				2,784,389	(831,416)	—	1,952,973
				6,477,044	(1,081,416)	—	5,395,628
				HK$	HK$	HK$	HK$
Weighted average exercise price				3.52	3.51	—	3.52

42. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(a) Appeon Corporation and Galactic Computing Corporation (Continued)

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2007 are as follows:

		Number of share options of Galactic			
Grantee	**Subscription price per share**	**As at 1.1.2007**	**Cancelled during the year**	**Granted during the year**	**As at 31.12.2007**
	US$				
Directors of Galactic	0.45	710,000	—	2,982,655	3,692,655
Employees	0.45	200,000	(150,000)	2,684,389	2,734,389
	0.60	70,000	(20,000)	—	50,000
Consultants of Galactic	0.45	156,250	(156,250)	—	—
		1,136,250	(326,250)	5,667,044	6,477,044
		HK$	HK$	HK$	HK$
Weighted average exercise price		3.58	3.58	3.51	3.52

No option was exercised by the grantees during the year and in last year.

The number of options which are exercisable as at 31st December, 2008 is 93,925 (2007: 100,425) for Appeon Scheme and 1,782,887 (2007: 797,500) for Galactic Scheme and their weighted average remaining contractual life is 3.86 years (2007: 4.86 years).

The fair values of the share options granted under the Appeon Scheme and the Galactic Scheme are insignificant and accordingly, they are not accounted for in these financial statements.

(b) Terborley Limited

The Company announced on 29th November, 2007 that Terborley Limited (the "Grantor"), an indirect non-wholly owned subsidiary of the Company, entered into the option deeds (the "Option Deeds") with an aggregate of 49 individuals (the "Grantees"). Pursuant to the Option Deeds, the Grantor has granted to the Grantees certain options to acquire from the Grantor an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land (Holdings) Corporation ("Pan China"), an investee of the Grantor, at the exercise price specified in the Option Deeds. The options will vest on the date on which the shares of Pan China are listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period"). Details of these Option Deeds were set out in the announcement of the Company dated 29th November, 2007.

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee(s)	**Number of option shares to which the Grantees are entitled**	**Approximate percentage of the total number of option shares**
Mr. Billy K Yung	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group#	95,200	82.1%
	116,000	100%

An aggregate of 5,200 Option Shares are held on trust by Mr. Billy K Yung and Mr. Eddie Hurip.

42. SHARE OPTION SCHEMES (CONTINUED)

Subsidiaries (Continued)

(b) Terborley Limited (Continued)

The Grantees may exercise the options in whole or in part by giving exercise notice to the Grantor at any time during the Option Period provided that the Grantees shall exercise the options to acquire the Option Shares in accordance with the following vesting schedule:

Vesting schedule	**Maximum percentage of Option Shares comprised in an option which may be exercised**
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

The Grantor will receive an aggregate amount of HK$69,600,000 if all the options are exercised based on the initial exercise price of HK$600 per share. A consideration of HK$1 is payable on acceptance of the offer of the grant of an option.

No new option was granted during the year and no option has been exercised, cancelled or lapsed during the year (2007: Nil). As at 31st December, 2007 and 2008, no options is exercisable by the Grantees. The weighted average exercise price of the options is HK$600 (2007: HK$600) and the weighted average remaining contractual life is 9 years (2007: 9 years) after the Listing Date.

The fair value of the options granted on the grant date, determined by an independent valuer using the Binomial Model, was HK$201,420,000 in aggregate. Based on the expected Listing Date as determined by the management, the amount of share option expense recognised in the consolidated income statement for the year ended 31st December, 2008 amounted to HK$52,527,000 (2007: HK$7,019,000). The corresponding amount has been credited to the share option reserve and minority interests. No liabilities were recognised as those are equity settled share-based payment transactions.

43. GAIN ON DISPOSAL OF A SUBSIDIARY AND A JOINTLY CONTROLLED ENTITY

(a) Gain on disposal of a subsidiary

During the current year, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in a subsidiary, 安徽博鴻房地產開發有限公司, to an independent third party at a cash consideration of RMB121 million. The Group's interest in the subsidiary was classified and presented in the consolidated balance sheet as "assets classified as held for sale" as at 31st December, 2007. The transaction was completed during the year and a gain on disposal of the subsidiary of HK$56,115,000 is recorded in the current year. The gain on the disposal net of tax is HK$27,729,000.

	2008 HK$'000
Net assets disposed of:	
Goodwill	**1,793**
Property, plant and equipment	**8,114**
Deferred tax assets	**739**
Inventories of properties	**116,498**
Trade and other receivables, prepayments and deposits	**16,787**
Restricted cash and deposits	**732**
Cash and cash equivalents	**19,298**
Trade and other payables	**(57,460)**
Sales deposits received	**(4,422)**
Bank borrowings	**(11,104)**
Taxation liabilities	**(12,732)**
	78,243
Gain on disposal of a subsidiary	**56,115**
Total consideration — satisfied by cash	**134,358**

43. GAIN ON DISPOSAL OF A SUBSIDIARY AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

(a) Gain on disposal of a subsidiary (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2008 HK$'000
Cash consideration received during the year[#]	94,384
Cash and bank balances disposed of	(19,298)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	75,086

Part of the consideration of RMB36 million was received in last financial year which was included in trade and other payables as at 31st December, 2007.

(b) Gain on disposal of a jointly controlled entity

During the current year, the Group disposed of its 50% equity interest in a jointly controlled entity, 廣州市環博展覽有限公司 ("Guangzhou Huan Bo"), to another joint venture partner of Guangzhou Huan Bo at a cash consideration of RMB469 million. Deposit of RMB444 million was received by the Group from the joint venture partner in last financial year and the remaining amount of the consideration of RMB25 million (equivalent to HK$27,760,000) was received in the current year. The Group's interest in the jointly controlled entity was classified and presented in the consolidated balance sheet as "assets classified as held for sale" as at 31st December, 2007. The transaction was completed during the year and a gain on disposal of the jointly controlled entity of HK$176,533,000 is recorded in the current year. The gain on the disposal net of tax is HK$51,747,000.

44. CONSIDERATION PAYABLE ON ACQUISITION OF SUBSIDIARIES

During last financial year, the Group acquired 90% of the registered capital of a PRC entity, 北京華世柏利房地產開發有限公司 ("Beijing Huashiboli") and part of the consideration amounting to RMB175 million (equivalent to approximately HK$198 million) was outstanding as at 31st December, 2008. The outstanding consideration together with the interest accrued thereon amounting to HK$210,097,000 as at 31st December, 2008 is classified as "consideration payable on acquisition of subsidiaries" on face of the consolidated balance sheet.

45. RETIREMENT BENEFITS SCHEMES

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

Prior to joining the MPF Scheme, the Group operated another defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group. Forfeited contributions in relation to the Old Scheme, if any, will be used to reduce the contribution payable in the future years.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in the income statement of HK$3,418,000 (2007: HK$3,068,000) represent contributions payable to these schemes by the Group in the current year.

46. PLEDGE OF ASSETS

At the balance sheet date, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged cash deposits	**—**	876,858	**—**	250,000
Investment properties	**271,440**	331,500	**—**	—
Inventories of properties	**3,530,022**	2,262,800	**—**	—
Investments held for trading	**8,315**	5,652	**—**	—
	3,809,777	3,476,810	**—**	250,000

The Group has also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group. The net asset value of the subsidiary as at 31st December, 2008 was approximately HK$290 million.

47. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating leases arrangement. Leases of these properties are negotiated for period ranging from one to twenty-seven years and rentals are fixed over the contracted period. At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,691**	4,867	**1,200**	900
In the second to fifth year, inclusive	**15,739**	15,246	**4,800**	—
Over five years	**44,647**	44,718	**5,700**	—
	66,077	64,831	**11,700**	900

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging from one to twenty years. At the balance sheet date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**117,629**	88,664	**6,184**	6,245
In the second to fifth year, inclusive	**249,745**	232,651	**1,148**	2,785
Over five years	**73,645**	80,266	**—**	—
	441,019	401,581	**7,332**	9,030

48. OTHER COMMITMENTS

As at the balance sheet date, the Group and the Company had other significant commitments as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for but not provided for in the financial statements:				
Property development	**3,407,341**	1,747,632	**—**	—
Property, plant and equipment	**6,400**	2,547	**490**	694
	3,413,741	1,750,179	**490**	694

The Group's share of a jointly-controlled entity's own capital commitments in respect of property development, which is contracted for but not provided for and is not included in the above, is HK$315,000 (2007: HK$835,000).

49. GUARANTEES

As at the balance sheet date, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to:				
A supplier of an associate to secure the repayment of balance due by the associate to the supplier	**13,525**	13,525	**13,525**	13,525
Bank for credit facilities granted to				
— certain subsidiaries	**—**	—	**143,124**	281,974
— an associate	**22,400**	22,400	**22,400**	22,400
— a jointly controlled entity	**44,902**	48,056	**—**	—
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	**1,202,861**	1,014,623	**—**	—
	1,283,688	1,098,604	**179,049**	317,899

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

In the opinion of the directors, the financial impact arising from providing financial guarantees by the Group and the Company is insignificant and accordingly, they are not accounted for in these financial statements.

50. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

50. RELATED PARTY TRANSACTIONS (CONTINUED)

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	Associates		Investees	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest received from	**—**	—	**1,991**	1,167
Commission paid to	**25**	104	**—**	—

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**13,508**	15,167
Share based payments	**20,830**	3,338
Post-employment benefits	**203**	330
	34,541	18,835

51. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and cash equivalents and pledged cash deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31st December, 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Debt	**2,211,363**	2,559,340
Less: cash and cash equivalents and pledged cash deposits	**(873,326)**	(1,581,574)
Net debt	**1,338,037**	977,766
Capital represented by total equity	**3,630,567**	3,468,889
Gearing ratio	**36.9%**	28.2%

The Group targets to maintain a gearing ratio ranging from 25% to 60% to be in line with the expected changes in economic and financial conditions. Other than this, the Group's overall strategy on capital management remains unchanged throughout the current year.

52. FINANCIAL INSTRUMENTS

52.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
— classified as held for trading	**20,643**	48,381	**—**	—
Loans and receivables#	**1,549,958**	2,611,551	**1,992,986**	2,280,527
Available-for-sale financial assets	**2,920**	7,990	**2,920**	7,990
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— classified as held for trading	**—**	6,738	**—**	—
Financial liabilities at amortised cost^	**4,879,560**	5,556,597	**740,493**	980,581

including trade and other receivables, loans receivable, amounts due from subsidiaries, associates, jointly controlled entities and other related parties, and cash at bank and deposited with security brokers.

^ including trade payables, other payables and accruals, amounts due to subsidiaries, associates, jointly controlled entities and other related parties, consideration payable, bank borrowings and other liabilities.

52.2 Financial results by financial instruments

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Fair value gains or (losses) on:		
Financial assets at fair value through profit or loss		
— classified as held for trading	**(62,286)**	20,779
Financial liabilities at fair value through profit or loss		
— classified as held for trading	**—**	(8,030)
Interest income or (expenses) on		
Loans and receivables	**14,178**	26,543
Financial liabilities at amortised cost	**(153,248)**	(75,603)
Dividend income from financial assets at fair value through profit or loss		
— classified as held for trading	**971**	1,743
(Impairment loss)/Reversal of impairment on:		
Loans and receivables	**(63,271)**	(14,342)
Available-for-sale financial assets	**6,379**	15,939

52.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, equity price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

52. FINANCIAL INSTRUMENTS (CONTINUED)

52.4 Financial risk management

(a) Market risk

Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK Dollars and RMB with certain of their business transactions being settled in US Dollars and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US Dollar and RMB, against the functional currency of the relevant Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continued to conduct its sales mainly in US Dollars and RMB and make payments either in US Dollars, Hong Kong Dollars or RMB. In addition, the Group's bank borrowings were mainly denominated in Hong Kong Dollars, US Dollars and RMB. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2008 and 2007 were as follows:

	THE GROUP		THE COMPANY	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Net financial assets/(liabilities)				
US Dollars	**(85,210)**	(89,129)	**(137,999)**	(677)
RMB	**14,567**	5,501	**9,915**	7,221

In respect of those group entities with Hong Kong Dollars as functional currency, as HK Dollar is linked to US Dollar, the Group does not have material exchange risk on such currency. The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in RMB exchange rate against the HK Dollars on the Group's and the Company's net asset position denominated in RMB as at the balance sheet date (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		THE COMPANY	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Increase/(Decrease) in profit after tax				
RMB against HK Dollars				
— strengthen by 5%	**728**	275	**496**	361
— weaken by 5%	**(728)**	(275)	**(496)**	(361)

The change in exchange rate does not affect the Group's and the Company's other component of equity.

52. FINANCIAL INSTRUMENTS (CONTINUED)

52.4 Financial risk management (Continued)

(a) Market risk (Continued)

Equity Price risk

Equity Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is exposed to equity security price risk because of its investments in equity securities held for trading and are classified as at fair value through profit or loss (see note 30).

The Group's investments in equity of other entities are publicly traded mainly in the stock exchanges of Hong Kong, the United States and London. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Group's profit after tax due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the balance sheet date is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2008 HK$'000	2007 HK$'000
Increase/(Decrease) in profit after tax		
Hong Kong — Hang Seng Index		
+50% (2007: +26%)	**5,675**	6,549
-50% (2007: -26%)	**(5,675)**	(6,549)
London — FTSE 100		
Nil (2007: +17%)	**—**	1,725
Nil (2007: -17%)	**—**	(1,725)
U.S.A. — SPX Index		
+40% (2007: Nil)	**2,666**	—
-40% (2007: Nil)	**(2,666)**	—

The change in equity prices do not effect the Group's other components of equity.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2008, approximately 92% (2007: 52%) of the bank borrowings bore interest at floating rates. The interest rate and repayment terms of the bank borrowings outstanding at year end are disclosed in note 37.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

52. FINANCIAL INSTRUMENTS (CONTINUED)

52.4 Financial risk management (Continued)

(a) *Market risk (Continued)*

Interest rate risk (Continued)

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the balance sheet date (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(Decrease) in profit after tax				
Increase/Decrease in basis points ("bp")				
+ 50 bp	**(8,208)**	(4,853)	**(2,000)**	(1,598)
-100 bp	**16,415**	9,705	**4,001**	3,197

The changes in interest rates do not affect the Group's and the Company's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of each loan outstanding at year end resembles that of the current financial year.

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial assets (note 52.1) is the carrying amount of those assets as stated in the consolidated and the Company's balance sheets and the amount of guarantees issued by the Group as disclosed in note 49.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents (note 32) is mitigated as cash is deposited in banks of high credit rating. Credit risk on loans and receivables is minimised as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

None of the Group's financial assets are secured by collateral or other credit enhancements except for the amount due from Shenzhen Zhongwang as disclosed in note 27(b)(ii).

(c) *Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents as well as the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

52. FINANCIAL INSTRUMENTS (CONTINUED)

52.4 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The table below analyses the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

	Less than 1 year HK$'000	**1 to 2 years** HK$'000	**2 to 5 years** HK$'000	**Over 5 years** HK$'000
THE GROUP				
As at 31st December, 2008				
Interest-bearing bank and other borrowings	**1,020,102**	**505,120**	**873,403**	**44,261**
Trade payables *(note)*	**1,462,252**	**—**	**—**	**—**
Other payables and accruals	**799,060**	**—**	**—**	**—**
Other liabilities	**397,344**	**—**	**6,155**	**3,386**
	3,678,758	**505,120**	**879,558**	**47,647**
As at 31st December, 2007				
Interest-bearing bank and other borrowings	1,976,819	610,019	29,889	124,941
Trade payables *(note)*	1,290,662	—	—	—
Other payables and accruals	772,633	—	—	—
Derivative financial instruments	6,738	—	—	—
Other liabilities	930,956	3,005	—	—
	4,977,808	613,024	29,889	124,941

	Less than 1 year HK$'000	**1 to 2 years** HK$'000	**2 to 5 years** HK$'000	**Over 5 years** HK$'000
THE COMPANY				
As at 31st December, 2008				
Interest-bearing bank and other borrowings	**177,341**	**63,571**	**332,782**	**—**
Trade payables	**12,495**	**—**	**—**	**—**
Other payables and accruals	**22,140**	**—**	**—**	**—**
Other liabilities	**168,385**	**—**	**—**	**—**
	380,361	**63,571**	**332,782**	**—**
As at 31st December, 2007				
Interest-bearing bank and other borrowings	394,552	—	—	—
Trade payables	9,684	—	—	—
Other payables and accruals	33,501	—	—	—
Other liabilities	549,933	—	—	—
	987,670	—	—	—

52. FINANCIAL INSTRUMENTS (CONTINUED)

52.4 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Note:

Around 80% of the trade payables relates to construction costs of EBRE and its subsidiary companies (the "EBRE Group") the settlement of which will, in practice, be deferred by twelve months in view of the strong bargaining power of the EBRE Group over its construction contractors.

The directors are of the opinion that, at the balance sheet date, it is not probable for the counterparties to the financial guarantee contracts to claim the Group for any losses covered by the guarantee contracts. Therefore, the maturity analysis does not include any amount that the Group may have to pay under the guarantee contracts granted.

The contractual financial guarantees are disclosed in note 49.

52.5 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables (including amounts from/to related companies/parties) is a reasonable approximation of its fair value. The fair value of interest bearing loans is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
China Ever Bright Real Estate Development Limited	PRC *(Note c)*	Paid up capital	Rmb133,000,000	—	70%	Investment holding and property development
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	—	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	100%	—	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	—	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC *(Note b)*	Paid up capital	US$20,960,000	—	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC *(Note c)*	Paid up capital	HK$28,000,000	—	100%	Taxi operations
Jodrell Investments Limited	British Virgin Islands	Ordinary	10 shares of US$1 each	100%	—	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	1 share of HK$1	—	70%	Investment holding
Pan China Land (Holdings) Corporation	Cayman Islands	Ordinary	2,000,000 shares of HK$0.1 each	—	70%	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	—	70%	Investment holding
Quanta Global Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	100%	—	Trading of electric fans

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Sharp China Limited	British Virgin Islands	Ordinary	1 share of US$1	—	70%	Investment holding
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	100%	—	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	—	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US$1	100%	—	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	1,000 shares of HK$10 each	100%	—	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC *(Note b)*	Paid up capital	US$6,792,000	—	90.1%	Manufacturing and trading of welded tubes
SLP (China) Pte. Ltd.	Singapore	Ordinary	1,700,000 shares of S$1 each	—	56%	Investment holding
佛山市順德區蜆華多媒體製品有限公司	PRC *(Note c)*	Paid up capital	US$18,870,000	—	100%	Manufacturing and trading of electrical appliances
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	—	Property investment
SMC Marketing Corp.#	USA	Ordinary	10,000 shares of US$1,021 each	100%	—	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	100%	—	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	—	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$1 each	—	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	—	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	—	Trading of electric fans
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	—	Investment holding
Vineyard Management Company#	USA	Ordinary	1,000 shares of US$10 each	—	100%	Property investment
業盈置業（深圳）有限公司	PRC *(Note c)*	Paid up capital	HK$10,000,000	—	100%	Property investment
蜆壳星盈科技（深圳）有限公司	PRC *(Note c)*	Paid up capital	HK$27,200,000	—	100%	Computer software and hardware development
蜆壳星盈軟件（深圳）有限公司	PRC *(Note c)*	Paid up capital	HK$8,000,000	—	100%	Computer software and hardware development
深圳市建地投資有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Investment holding
深圳市建禹投資有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Investment holding
北京光大房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb28,000,000	—	70%	Investment holding and property development
光大物業管理有限公司	PRC *(Note a)*	Paid up capital	Rmb5,000,000	—	70%	Property management
北京快樂城堡購物中心有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property investment

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
北京中京藝苑房地產開發有限責任公司	PRC *(Note a)*	Paid up capital	Rmb30,000,000	—	70%	Property development
北京華世柏利房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb50,000,000	—	63%	Property development
北京光大置業有限責任公司	PRC *(Note a)*	Paid up capital	Rmb50,000,000	—	70%	Investment holding
北京中順超科房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property development
呼和浩特光大環城建設開發有限公司	PRC *(Note a)*	Paid up capital	Rmb120,000,000	—	56%	Property development
呼和浩特市景輝房地產開發有限責任公司	PRC *(Note a)*	Paid up capital	Rmb20,000,000	—	70%	Investment holding and property development
呼和浩特市榮城房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property development
呼和浩特市榮凱房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property development
呼和浩特市榮恒房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property development
呼和浩特市榮輝房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property development
上海光大置業發展有限公司	PRC *(Note a)*	Paid up capital	Rmb15,000,000	—	70%	Investment holding
合肥光大置業有限公司	PRC *(Note a)*	Paid up capital	Rmb20,000,000	—	70%	Investment holding
廣西光大旅遊投資有限公司	PRC *(Note a)*	Paid up capital	Rmb30,000,000	—	65.8%	Investment holding
廣西桂林光大生態家園開發建設有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	46.06%	Property development
廣州光大置業有限公司	PRC *(Note a)*	Paid up capital	Rmb10,000,000	—	70%	Property development
廣州市光大花園房地產開發有限公司	PRC *(Note a)*	Paid up capital	Rmb240,867,970	—	70%	Property development
廣州光大花園物業管理有限公司	PRC *(Note a)*	Paid up capital	Rmb3,000,000	—	70%	Property management
森聯南太湖（湖州）建設發展有限公司	PRC *(Note a)*	Paid up capital	US$4,499,955	—	56%	Property development

\# Not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms

Notes:

(a) The companies are incorporated in the PRC as limited liability companies.

(b) The companies are incorporated in the PRC as sino-foreign equity joint ventures.

(c) The companies are incorporated in the PRC as wholly foreign owned enterprises.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

54. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associated company	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
MDCL-Frontline (China) Limited#	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	—	26.66%	Trading of computer hardware, provision of information technology services and investment holding
PFC Device Corporation#	British Virgin Islands	Preferred	2,122,820 shares of US$1 each	—	47.11%	Design and trading of semiconductions and electric components
China Dynasty Development Ltd#	British Virgin Islands	Ordinary	1,000 shares of US$1 each	—	40%	Property investment
Hong Kong Construction SMC Development Limited#	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	—	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.#	PRC *(note)*	Paid up capital	US$59,000,000	—	20%	Property development

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Note: The company is incorporated in the PRC as wholly foreign owned enterprise.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group.

55. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
上海金鶴數碼科技發展有限公司	PRC *(Note b)*	Paid up capital	US$2,400,000	—	45.5%	Property development
桂林光大國富房地產開發有限責任公司	PRC *(Note a)*	Paid up capital	Rmb8,000,000	—	28%	Investment holding
北京通惠房地產開發有限責任公司	PRC *(Note a)*	Paid up capital	Rmb100,000,000	—	31.15%	Property development
Appeon Corporation (HK) Limited#	Hong Kong	Class A voting	25,000 shares of HK$0.01 each	—	50%	Investment holding and sale of software licence
		Class B non-voting	27,181 shares of HK$0.01 each	—	52.18%	
艾普陽軟件（深圳）有限公司#	PRC *(Note c)*	Paid up capital	US$500,000	—	52.18%	Computer software and hardware development

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Notes:

(a) The companies are incorporated in the PRC as limited liability companies.

(b) The company is incorporated in the PRC as sino-foreign equity joint venture.

(c) The company is incorporated in the PRC as wholly foreign owned enterprises.

RESULTS

	For the year ended 31st December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Revenue	1,257,234	1,352,672	1,553,063	3,552,030	**2,502,632**
Profit/(loss) before income tax	(59,496)	165,496	181,811	741,332	**530,924**
Income tax expense	(14,336)	(7,561)	(95,416)	(198,787)	**(456,518)**
Profit/(loss) for the year from continuing operations	(73,832)	157,935	86,395	542,545	**74,406**
Profit for the year from discontinued operations	197,476	13,006	—	—	**—**
Profit for the year	123,644	170,941	86,395	542,545	**74,406**
Attributable to:					
Equity holders of the Company	137,883	157,171	138,833	434,359	**23,563**
Minority interests	(14,239)	13,770	(52,438)	108,186	**50,843**
	123,644	170,941	86,395	542,545	**74,406**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share — from continuing operation					
— Basic	31 cents	33 cents	28 cents	83 cents	**4 cents**
— Diluted	N/A	N/A	N/A	83 cents	**4 cents**

ASSETS AND LIABILITIES

	At 31st December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Total assets	2,656,636	4,666,658	5,661,420	10,708,389	**10,443,673**
Total liabilities	(592,918)	(1,985,331)	(2,947,127)	(7,239,500)	**(6,813,106)**
	2,063,718	2,681,327	2,714,293	3,468,889	**3,630,567**
Equity attributable to equity holders of the Company	2,059,937	2,270,942	2,443,531	3,008,655	**3,104,013**
Minority interests	3,781	410,385	270,762	460,234	**526,554**
	2,063,718	2,681,327	2,714,293	3,468,889	**3,630,567**

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shell Industrial Building, 12 Lee Chung Street, Chaiwan, Hong Kong *(Note)*	Industrial premises	125,315.99 sq.ft.	100%	100%	Long
No. 18 San Yue East Rd., Beijiao Industrial Park, Beijiao Town Shunde, Guangdong Province, the PRC	Industrial premises	62,805.00 sq.m.	100%	100%	Medium
4th Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860.00 sq.ft.	100%	100%	Long
1931 North Great Southwest Parkway Grand Prairie, Texas 75050, U.S.A.	Commercial premises and warehouses	97,134.00 sq.ft. (Site area of Land.)	100%	100%	Freehold
中國廣東省順德市大良區紅崗村委會飛鵝崗162號及168號*(Note)*	Industrial premises	26,188.10 sq.m.	90.10%	100%	Medium
Unit Nos. 701 and 702, Block C, Shanghai China Everbright Convention Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
23th Floor, Tower 1, Ever Bright World Centre, No. 28 Ping'anlixi Avenue, Xicheng District, Beijing City, the PRC	Commercial premises	2,309.23 sq.m.	70%	100%	Medium
Level 4 and Unit 202 on Level 2, B5 block clubhouse, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Clubhouse	1,687 sq.m.	70%	100%	Medium

Note: Partly classified as property, plant and equipment and partly as investment properties.

(B) PROPERTIES HELD FOR INVESTMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Tak King Industrial Building, Lower ground floor, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384.00 sq.ft.	100%	100%	Long
City of Livermore, County of Alameda, California, U.S.A. (Phases I &II)	Commercial complex	234,901.00 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
Office unit Rm7104, of CITIC Plaza Office Tower, 233 Tian He North Road, Tian He District, Guangzhou City, Guangdong Province, the PRC	Commercial premises	309.55 sq.m..	100%	100%	Medium
中國廣東省深圳市福田保稅區紅棉道B105-19-3地段	Hi-tech Industrial factory premises	31,348.00 sq.m. (site area of land)	100%	100%	Medium
Unit Nos. 801 and 802, Block C Shanghai China Everbright Convention Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
Unit No. 602 of Block 6, Unit Nos.1003 and 1103 of Block 11, Hong Qiao Guang Da Garden, Lane 269, Cheng Jia Qiao Road, Minhang District, Shanghai City, the PRC	Residential	540.55 sq.m.	70%	100%	Long
C8 block supermarket, No. 61 Rong Jing Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Supermarket	2,809.46 sq.m.	70%	100%	Medium
Level 1, B5 block clubhouse, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Clubhouse	986.69 sq.m.	70%	100%	Medium

(C) PROPERTIES HELD AS INVENTORIES

(a) Properties under development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
Various residential units, retail shops, office units and car parking spaces, Academic Sect, Xue Yuan South Road, Haidian District, Beijing City, the PRC	Residential and commercial premises	14,151.00 sq.m.	70%	98%	Medium
Phases J and K, Guangzhou Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	129,666.00 sq.m.	70%	50%	Medium

(C) PROPERTIES HELD AS INVENTORIES (CONTINUED)

(a) Properties under development (Continued)

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
Various residential units, retail shops and car parking spaces, Guangyu Jianzhu, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential and commercial premises	87,062.00 sq.m.	70%	30%	Medium

(b) Properties held for future development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Guangzhou Xin Du, Binjiang Road, Guangzhou City, Guangdong Province, the PRC	Land under development	7,263.00 sq.m.	63%	0%	Medium
The parcel of land for Guangzhou Ever Bright Xiang Garden and Super Mall, Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Land under development	43,288.00 sq.m.	70%	0%	Medium
The parcel of land, No. 466 Hong Kong East Road, Lao Shan District, Qingdao City, Shandong Province, the PRC	Land under development	66,667.00 sq.m.	49%	0%	Medium
The parcel of land and Construction project of Beijing Sha He, Sha He Town, Changping District, Beijing City, the PRC	Land under development	285,338.00 sq.m.	63%	0%	Medium
The parcel of land for Guilin Environment, Garden, Guiyang Road, Yanshan District, Guangxi Province, the PRC	Land under development	724,396.00 sq.m.	46.06%	0%	Medium
The parcel of land, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Land under development	84,880.00 sq.m.	70%	0%	Long

(C) PROPERTIES HELD AS INVENTORIES (CONTINUED)

(c) Properties held for sale

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Tower 1, Ever Bright World Centre, No. 28 Ping' anli xi avenue Xicheng District, Beijing City, the PRC	Commercial premises	53,343.75 sq.m.	70%	100%	Medium
Various residential units, retail shops, and car parking spaces, Phase A to Phase E, Guangzhou Ever Bright Gardens, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	23,868.00 sq.m.	70%	100%	Medium

(D) PROPERTIES HELD BY ASSOCIATES

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
CITIC Plaza, 233 Tian He North Road, Tian He District, Guangzhou City, Guangdong Province, the PRC (excluding partly of office units)	Commercial	34,690.00 sq.m.	20%	100%	Medium
CITIC Plaza, 233 Tian He North Road, Tian He District, Guangzhou City, Guangdong Province, the PRC (partly of office units)	Commercial complex	38,368.95 sq.m.	40%	100%	Medium

(E) PROPERTIES HELD BY JOINTLY CONTROLLED ENTITIES

(a) Properties held for future development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Beijing Tong Hui He, Jian Wai Zhuan Chang by Street, Chaoyang District, Beijing City, the PRC	Land under development	10,096.00 sq.m.	31.15%	0%	Medium

(b) Properties held for investment

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shanghai Jinhe Shuma Tower, Keyuan Road and Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Commercial premises	16,876.00 sq.m.	45.5%	100%	Medium