



Brilliant Minds
Better Lives
精心匠建 穩步向前
ANNUAL REPORT 2008 年報

Our Mission

It is our mission to focus on customer needs and pursue the spirit of excellence with quality products and services through our commitment to research, design and value creation. With vision, perseverance and teamwork, we strive to provide shareholders with the best return on their investment.



企業使命

本公司秉承以客為本及追求卓越之精神，不斷透過研究、設計及創造價值，恪守不屈不撓、群策群力及具遠見之經營理念，為客戶提供優質產品及服務，並為股東帶來理想投資回報。



Shanghai Westwood II topped the list of best-selling residential housing in Shanghai with over 80% of the units sold in three months. The property was also one of the 2008 Ten Most-preferred Property Projects. **(Photos 1 and 2)**

嘉寧薈 於2008年底推售以來，銷情一直高踞上海市場之首，短短三個月已售出逾八成單位，榮膺「2008上海最受歡迎十大樓盤」之一。
(圖1及2)

The Great Hill earned the highest accolade at the Top Ten Property Layouts Awards 2008 from The Hong Kong Institute of Surveyors with its superb layouts. A grand house launched in April 2008 once fetched the highest transacted price per square foot in the New Territories. **(Photo 3)**

嘉御山 憑藉匠心獨運的空間佈局榮獲香港測量師學會頒發「2008年十大樓則大獎」，而其中一間於2008年4月推售的獨立屋更曾創出新界區最高成交呎價的紀錄。(圖3)

J SENSES officially launched in February 2008, was selected as a Finalist in the Special Awards Category – Heritage at the Quality Building Awards 2008 while J Residence was doubly honoured with Top Ten Property Marketing Awards and Top Ten Property Sales Brochures Awards from Hong Kong Institute of Surveyors with its unique “heritage meets cosmopolitan” concept. **(Photo 4)**

J SENSES 於2008年2月開業，憑藉獨特的新舊融和概念獲選為「2008優質建築大獎：特別獎—文物類別」入圍作品，而嘉薈軒則榮獲香港測量師學會頒發「2008十大市場推廣大獎」及「2008十大樓書大獎」。(圖4)

KWIH Hong Kong Properties Division was selected as High-Flyers Outstanding Enterprise for its property business by Hong Kong Business for two consecutive years, in recognition of its achievements, reputations and performances. **(Photo 5)**

嘉華國際 香港地產部憑藉企業的成就、商譽及表現等，連續兩年獲Hong Kong Business選為「High Flyers傑出企業」。(圖5)



Corporate Profile

Contents

K. Wah International Holdings Limited (“KWIH”; stock code: 0173), listed in Hong Kong in 1987*, is the property flagship of K. Wah Group. With a property portfolio encompassing premium residential developments, Grade-A office towers, hotels, serviced apartments and retail spaces, KWIH has a presence in Hong Kong, Shanghai, Guangzhou and Southeast Asia.

KWIH aims at establishing a position of large-scale integrated property developer and investor in the Greater China region. With a focus on an integrated approach for value creation, KWIH blends architectural design, quality, functionalities and top-notch building services in all its properties to redefine the standard of quality modern living. Furthermore, driven by a keen market sense and a versatile strategy, and backed by strong financial capability, KWIH has built up a prime land reserve in major cities of China, and thus a strong foothold for future growth.

KWIH has received several international accolades for its outstanding quality and service. Awarded Business Superbrands in the property development sector in 2006, KWIH was also a winner in the Hong Kong Property Developer category of the High-Flyer Outstanding Enterprises for two consecutive years.

* Formerly K. Wah Stones (Holdings) Limited listed in 1987.

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Corporate Information

CHAIRMAN & MANAGING DIRECTOR

Dr. Che-woo Lui, GBS, MBE, JP, LLD, DSSc, DBA

EXECUTIVE DIRECTORS

Mr. Francis Lui Yiu Tung

Ms. Paddy Tang Lui Wai Yu, JP

Mr. Lam Kwong Yu, SBS

NON-EXECUTIVE DIRECTORS

Sir David Akers-Jones*, KBE, GBM, CMG, Hon. RICS, JP

Mr. Michael Leung Man Kin, CBE, JP

Dr. The Hon. Leo Lee Tung Hai*, GBM, GBS, LLD, JP

Dr. Robin Chan Yau Hing*, GBS, LLD, JP

Mr. Robert George Nield*

Dr. William Yip Shue Lam*, LLD

* *Independent Non-executive Directors*

COMPANY SECRETARY

Ms. Leung Wai Yee (appointed on 16 April 2009)

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

DBS Bank Ltd.

Nanyang Commercial Bank, Limited

Standard Chartered Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Richards Butler

Philip K.H. Wong, Kennedy Y.H. Wong & Co.

JSM

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor

K. Wah Centre

191 Java Road

North Point

Hong Kong

PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

AMERICAN DEPOSITARY RECEIPTS DEPOSITARY

BNY Mellon Shareowner Services

P.O. Box 358516

Pittsburgh, PA 15252-8516

USA

WEBSITE ADDRESS

<http://www.kwih.com>

SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

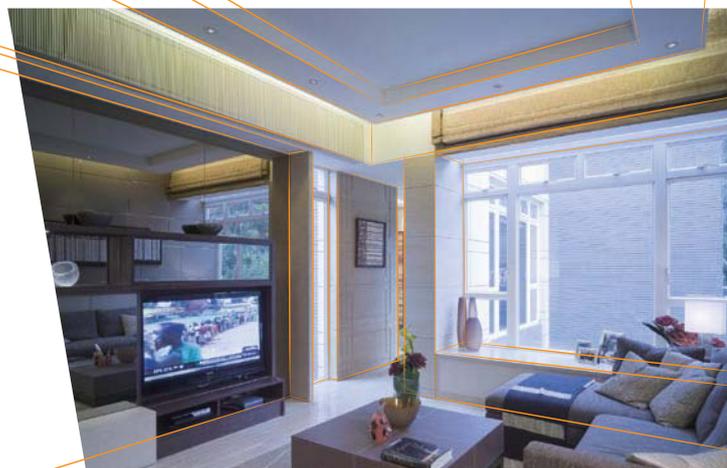
Hong Kong Stock Exchange : 173

Bloomberg : 173 HK

Reuters : 0173.HK

BOND LISTING

Luxembourg Stock Exchange



FINANCIAL HIGHLIGHTS

	2008 (HK\$ million) For the year ended 31 December 2008	2007 (HK\$ million) For the year ended 31 December 2007
Revenue	1,153	4,800
Change in fair value of investment properties	(62)	352
(Impairment loss)/gain on disposal of non-current investment	(667)	1,374
Operating profit	398	1,080
Net (loss)/profit	(572)	2,630
Basic (LPS)/EPS (HK cents)	(25.03)	100.27
DPS (HK cents)	2.0	30.5

STRONG FINANCIAL POSITION

	2008 (HK\$ million) As at 31 December 2008	2007 (HK\$ million) As at 31 December 2007
Cash and Bank Balances	1,291	2,445
Total Borrowings	4,744	4,579
Gearing Ratio*	25%	15%
NAV per Share (HK\$)	3.12	3.46

* The ratio of total loans outstanding less cash and bank balances to total assets excluding cash and bank balances

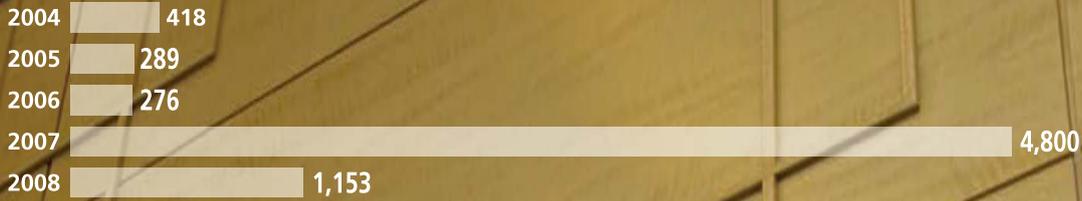
Five Years Summary

	2004	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CONSOLIDATED PROFIT AND LOSS STATEMENT					
Revenue	418,257	289,307	275,956	4,799,504	1,152,989
Profit/(loss) before tax	231,153	393,249	1,008,763	2,850,701	(406,998)
Taxation credit/(charge)	1,461	(142,869)	(307,019)	(220,621)	(164,869)
Profit/(loss) from continuing operations	232,614	250,380	701,744	2,630,080	(571,867)
Profit from discontinued operations	29,757	3,553,418	—	—	—
Minority interests	(21,157)	(159,750)	(472,041)	(178,938)	(45,380)
Profit/(loss) attributable to shareholders	241,214	3,644,048	229,703	2,451,142	(617,247)
Earnings/(loss) per share (HK cents)	12.1	157.7	9.5	100.3	(25.0)
Dividend per share (HK cents) (note 1)	6.0	53.7	3.5	30.5	2.0
CONSOLIDATED BALANCE SHEET					
Non-current assets	1,090,200	2,140,863	3,491,746	3,799,234	3,871,113
Associated companies and jointly controlled entities	508,389	577,261	575,502	700,916	2,996,863
Other non-current assets/investments	440,947	2,698,833	4,486,676	1,198,107	177,091
Net current assets	4,389,180	2,033,802	2,206,072	7,685,719	4,793,691
Employment of capital	6,428,716	7,450,759	10,759,996	13,383,976	11,838,758
Financed by:					
Share capital	201,564	237,792	242,995	245,869	247,038
Reserves	2,471,190	5,078,878	7,221,368	8,256,702	7,458,661
Shareholders' funds	2,672,754	5,316,670	7,464,363	8,502,571	7,705,699
Minority interests	723,354	355,968	856,817	1,056,774	1,198,556
Long-term liabilities	2,773,224	1,567,857	1,914,731	3,297,252	2,325,615
Non-current liabilities	259,384	210,264	524,085	527,379	608,888
Capital employed	6,428,716	7,450,759	10,759,996	13,383,976	11,838,758
Net assets value per share (HK\$)	1.34	2.30	3.07	3.46	3.12

Note:

1 Dividend in 2005 included the special interim dividend in specie of one GEG share for every ten shares of the Company.

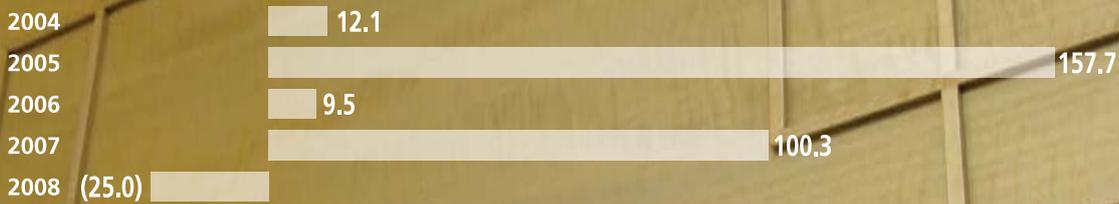
Revenue
(HK\$ Million)



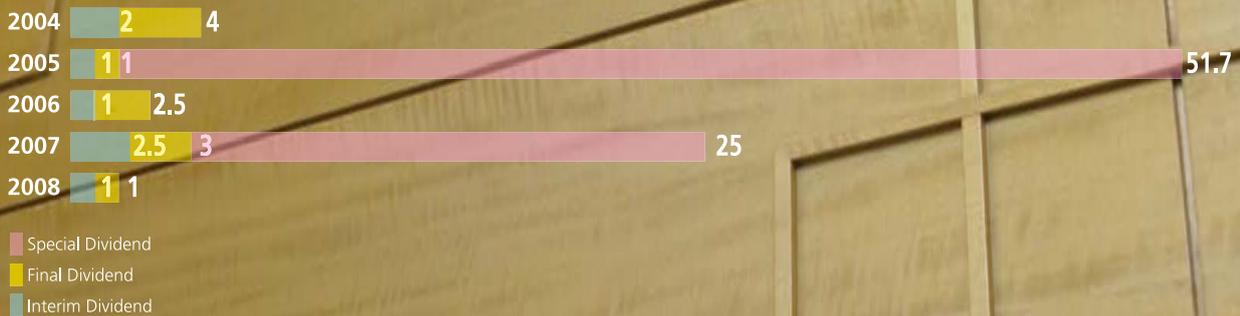
Dividend and Net Profit/(Loss) Attributable to Shareholders
(HK\$ Million)



Earnings/(Loss) Per Share
(HK Cents)



Dividend Per Share
(HK Cents)



Net Assets Value Per Share
(HK\$)



Statement from the Chairman



Dear Shareholders,

2008 has been a year most extraordinary for many. Governments have been concerting efforts to confine the impact of the unprecedented financial crisis on world economy with a host of stimulus measures. Businesses have also been making adjustments and strengthening their operations so as to be more resilient to the challenges. It is believed that the global financial crisis and its aftermath on global economic balance of play will accelerate the rise of Asia as a trendsetter in the world stage.

CORE BUSINESSES AND FINANCIAL POSITION REMAIN SOLID

The Group achieved solid performance in its core operations despite a stagnant market subsequent to the unforeseen economic downturn in the second half of the year. Satisfactory sales of The Great Hill in Hong Kong were reported while Shanghai K. Wah Centre continued to generate stable rental income. Excluding the impairment charge due to diminution in value on the residual shares

the Group still holds in Galaxy Entertainment Group Limited, and the small write down on investment properties, the Group reported an operating profit of HK\$398 million. The Group's financial position remained strong with more than HK\$3 billion available funds on hand, which suffices for us to address the current economic environment and to explore investment opportunities that offer lucrative potentials.

CENTRAL GOVERNMENT POLICY IN SUPPORT OF SUSTAINABLE DEVELOPMENT

In Mainland China, the Group launched Shanghai Westwood II in late 2008 to capitalise on favourable market sentiments fostered by the Central Government's measures to stabilise property market. The project topped the list of best-selling residential housing in Shanghai as over 80% of the units were sold in three months, booking decent proceeds for the Group for 2009. Besides, turnaround in volume and transacted prices has been observed in first-tier cities in Mainland China.

The Group achieved solid performance in its core operations despite a stagnant market subsequent to the unforeseen economic downturn in the second half of the year. Our financial position remained strong, which suffices for us to address the current economic environment and to explore investment opportunities that offer lucrative potentials.

MAINLAND PROJECTS TO DRIVE FUTURE GROWTH

Meanwhile, we will continue to deploy resources to expedite development of existing premium projects in Shanghai and Guangzhou and launch these projects at opportune moments. The State policy of developing Shanghai into an international financial centre and shipping centre, and positioning Guangzhou as the hub of the "One-hour Economic Circle" of the Pearl River Delta, are instrumental to enhancing competitiveness and strategic importance of the two cities. Nonetheless, Shanghai World Expo and Guangzhou Asian Games in 2010 are expected to underpin sustainable development of the property markets.

At home, the Group remains optimistic about the economic outlook of Hong Kong, whose residential property market has shown signs of stabilisation in recent months.

Looking ahead, we will continue to consolidate our operational efficiency and effectiveness so as to sustain the Group's long-term growth in a timely and progressive manner.

Last but not least, on behalf of the Board, I would like to express my heartfelt appreciation to all staff for their commitment and dedication during these extraordinary times. With concerted efforts, I am confident we shall deliver promising results again in the many years to come.

Dr. Che-woo Lui
Chairman

7 April 2009

Management Discussion and Analysis

REVIEW OF OPERATIONS

For the year ended 31 December 2008, revenue was HK\$1,153 million (compared to HK\$4,800 million for year 2007). Properties sales was down from HK\$4,383 million in 2007 to HK\$744 million in 2008, due to the fact that lesser than expected properties sales were recognised (principally from The Great Hill in Hong Kong) during the year. Rental income slightly increased from HK\$213 million in 2007 to HK\$262 million in 2008. The Group continued to achieve good occupancy rate and satisfactory rental level with its investment properties.

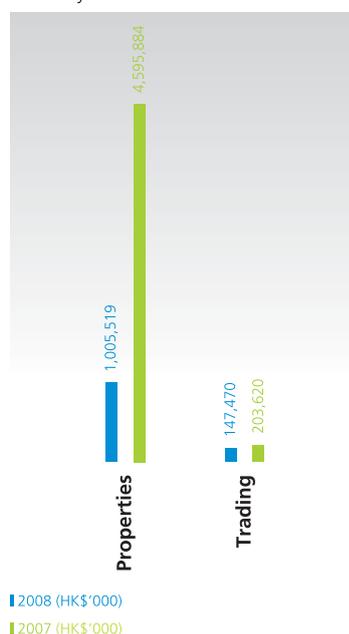
During the year under review, the Group has had a loss of HK\$572 million (2007: profit HK\$2,630 million). Principally, this was mainly due to the HK\$667 million impairment loss charged to the consolidated profit and loss statement of the Group for year 2008 with respect to the diminution in value of the 162.5 million shares of Galaxy Entertainment Group Limited ("GEG") which the Group still retains after the partial disposal in 2007. Weaker than expected properties sales in terms of both volume and pricing in the wake of the global financial crisis also contributed to this. Despite this, the Group's core business and operations remain solid. Our operating profit excluding the change in fair value of investment properties and impairment loss (2007: gain on disposal) of non-current investments was HK\$398 million (2007: HK\$1,080 million).

By Division

	Properties HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue	1,005,519	147,470	—	1,152,989
Cost of goods sold	(420,912)	(132,206)	—	(553,118)
	584,607	15,264	—	599,871
Other operating income	16,881	115	22,256	39,252
Other net (loss)/gains	(60,093)	—	72,050	11,957
Other operating expenses	(31,184)	—	—	(31,184)
Administrative expenses	(205,406)	(11,308)	(4,974)	(221,688)
Change in fair value of investment properties	(62,298)	—	—	(62,298)
Impairment loss of non-current investments	—	—	(667,053)	(667,053)
Segment results	242,507	4,071	(577,721)	(331,143)

Revenue by Division

For the year ended 31 December 2008



Mainland China Most of the Group's property development projects in Shanghai and Guangzhou were under construction or development and works were progressing well.

(A) Current Major Development Properties (total gross floor area ("GFA") of approximately 2,100,000 square meters)

Shanghai

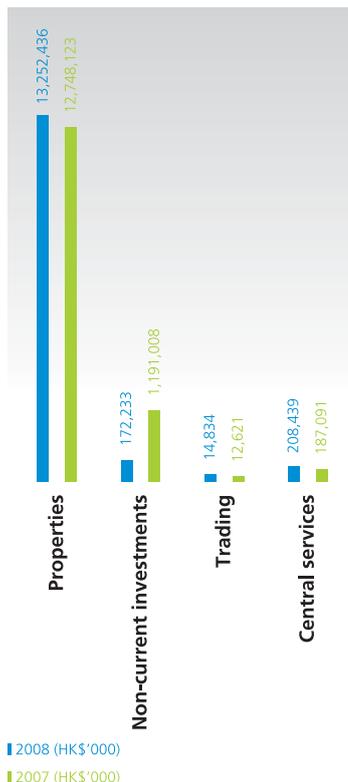
- (i) *Shanghai Westwood, No. 701 Guangzhong Road, Da Ning International Community (100% owned)*

The Group has already completed the development of Phase I of this luxurious condominium project. The Group has launched pre-sales of Phase II (approximately 140,000 square metres) over which the Group has registered good sales in terms of both volume and pricing. The Group expects to recognise properties sales of Phase II in 2009. The Group has also started the development of Phase III of this project (approximately 100,000 square metres).

- (ii) *Lot A&B No. 68 Jianguo Xi Road, Xuhui District (100% owned)*
 The project is located in Shanghai's traditionally up-scale prestigious residential area. The GFA of this project is approximately 140,000 square metres, which the Group plans to develop into an integrated development with luxury residential apartments, high-class commercial facilities and a suite-hotel styled serviced apartments. Construction work has already been underway and is progressing on schedule. Depending on the then property market in Shanghai, there is plan for the launch of pre-sales of certain residential units in this project.

Employment of Gross Assets

As at 31 December 2008



- (iii) *Phase III, Yanjiazhai, Jingan District (99% owned)*
 Total GFA of this luxurious residential project is approximately 100,000 square metres. It is located at Urumqi Road, Jingan District close to the vibrant central

business district of Nanjing West Road. Construction works have been commenced and depending on the Shanghai market conditions, the development is expected to be completed by 2011.

- (iv) *Minhang District Project (100% owned)*
 The Group has fully paid the land price of Renminbi ¥711,500,000 in August 2008 and the project is now in the design stage. The permissible buildable floor area of this land — residential and commercial — is approximately 171,290 square metres on present estimation. The Group is planning to develop this land into an integrated residential and commercial complex.

Guangzhou

- (v) *Yingbin Road, Huadu District (100% owned)*
 This site is close to the New Baiyun International Airport with total GFA of approximately 323,000 square metres. The project is planned for a composite development with hotel, offices and premium residential towers. Completion for the 1st phase of this project — comprising hotel and offices — is expected for 2010, in time for business opportunities in the 2010 Asian Games in Guangzhou.
- (vi) *Xinhua Zhen, Huadu District (99.99% owned)*
 This project has a total permissible floor area of approximately 1,147,000 square meters and will be developed in phases. One of the plots in this project has already been in the planning stage for residential-cum-commercial retail development. The rest of the land in this project has been planned mostly for residential development. The Group has started the

process of clearing the occupants and the communes on the land for development of Phase I of this project in 2009.

(vii) *Guangzhou — Jianshebei Road, Huadu District (100% owned)*

This newly acquired land is located in the downtown area of Hua Dou with total GFA of approximately 46,000 square metres and is about 20-minute drive from the New Baiyun International Airport. It has also been in the planning stage for residential development. Depending on Guangzhou market conditions, the Group plans to commence construction in later part of 2009 for project completion by, as presently estimated, 2011.

(B) Investment Property (approximately 72,000 square meters)

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (39.6% effective interest)

On investment property, demand for Grade-A office in Shanghai remained strong with near 100% occupation rate for the Group's K. Wah

Gross Assets By Geographical Spread

As at 31 December 2008



Centre in Shanghai, bringing in good rental income and satisfactory investment return for the Group. This flagship investment property contributes strong stable income to the Group. The Group was able to achieve good rental level on lease renewal.

Hong Kong The Great Hill continued to contribute properties sales revenue and the commercial complex J Senses has contributed stable rental revenue to the Group. Construction of the Group's development projects has been progressing in accordance with development schedules.

(A) Current development properties

(i) *The Great Hill, Tung Lo Wan Hill Road, Shatin (100% owned)*

The development of the project was completed in November 2007. Over half of the apartment units have already been sold and revenue recognized. The Group will continue to time the best market opportunity to dispose of the rest of the apartments and town houses in this project.

(ii) *J Senses at J Residence, Johnston Road, Wan Chai (a joint development with the URA)*

The Group has disposed of all but one of the residential units in this project. J Senses — the premium dining and shopping arcade of this project with GFA of approximately 3,400 square metres — continues to deliver stable rental income for the Group.

(iii) *No. 6 Shiu Fai Terrace, Stubbs Road (100% owned)*

The Group has commenced construction works on this project. It is expected to be developed into a 12-storey luxury residential tower (estimated GFA of approximately 6,340 square metres) with targeted sales launch by 2010.

- (iv) *Aberdeen Inland Lot No. 451, Welfare Road, Aberdeen (35% owned)*
This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. The Group leads and is the project manager of this development. Total GFA is presently estimated to be approximately 60,000 square metres. Sub-structure works are underway and the Group expects completion by 2012.
- (v) *Tai Po Town Lot No. 188, Tai Po (25% owned)*
This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. Total GFA is presently estimated to be approximately 69,700 square metres. Foundation works have already started and the Group expects completion by 2011.
- (vi) *Tai Po Town Lot No. 186, Tai Po (15% owned)*
This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. Total GFA is presently estimated to be approximately 66,500 square metres. Foundation works have already started and the Group expects completion by 2011.
- (vii) *Kowloon Inland Lot No. 11073, West Kowloon (15% owned)*
This is a luxury residential development which the Group entered into in joint-venture with other household-name Hong Kong property developers. Total GFA is presently estimated to be approximately 60,500 square metres, of which approximately 8,000 square metres will be allocated for niche market retail.

Foundation works have already started and the Group expects completion by 2011.

(B) Other properties in Hong Kong

- (i) *Skyline Commercial Centre, Wing Lok Street, Sheung Wan (100% owned)*
This 24-storey centrally located office building has approximately 3,900 square metres of office space and ground floor shops. It is almost fully occupied and is contributing stable rental income to the Group.
- (ii) *Kingsfield Centre, Shell Street, North Point (100% owned)*
This 26-storey office building (approximately 1,900 square metres of office space) has been enjoying good occupancy and is contributing stable rental income to the Group.

Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)
This 12-storey office building (approximately 5,800 square metres with car-parks) has maintained satisfactory occupancy with stable income.

Investment in Galaxy Entertainment Group Limited

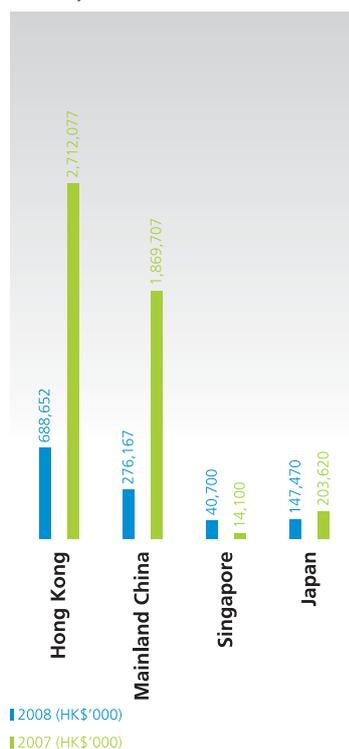
Following the disposal of 452,500,000 GEG shares in 2007, the Group's shareholding in GEG was reduced from 18.7% to 4.1% (approximately 162.5 million shares). Based on the closing price of the GEG Shares as at 31 December 2008 of HK\$1.06 per share, there is diminution in fair value of the GEG Shares of approximately HK\$1,019 million, of which, as said, an impairment loss of approximately HK\$667 million has been charged to the Group's consolidated profit and loss statement and approximately HK\$352 million has been charged against the reserves in the Group's consolidated balance sheet of the Group for the year ended 31 December 2008. This impairment charge has no effect on the cash flow for the Group's operations and accordingly does not affect the core business of the Group of property development and property investment in Hong Kong, Mainland China and Singapore.

By Geographical Spread

	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Japan HK\$'000	Total HK\$'000
Revenue	688,652	276,167	40,700	147,470	1,152,989
Cost of sales	(331,465)	(71,370)	(18,077)	(132,206)	(553,118)
	357,187	204,797	22,623	15,264	599,871
Other operating income	16,379	21,406	1,352	115	39,252
Other net gains/(loss)	8	12,013	(64)	—	11,957
Other operating expenses	(2,499)	(28,685)	—	—	(31,184)
Administrative expenses	(153,421)	(54,226)	(2,652)	(11,389)	(221,688)
Change in fair value of investment properties	(48,200)	(29,019)	14,921	—	(62,298)
Impairment loss of non-current investments	(667,053)	—	—	—	(667,053)
Segment results	(497,599)	129,286	36,180	3,990	(331,143)

Revenue By Geographical Spread

For the year ended 31 December 2008



OUTLOOK

For financial services industry and global economy, 2008 was the most horrendous year in over half a century. 2009 will remain challenging if not difficult. Against this backdrop of financial crisis, we expect Mainland China to outperform Western economies in the process of recovering, and Hong Kong will benefit because of its close proximity to the Mainland China economy.

It is encouraging to note the huge efforts the Central Government has put in to revitalize the economy of Mainland China, and the host of initiatives by the Central Government has restored confidence in the property market. We have captured this turnaround in market sentiment through the launch of our Shanghai Westwood Phase II over which market response was pleasing. We will continue to push for revenue and cash-flow with our Shanghai Westwood Phase II sales. Given the strong fundamentals and the national policy supporting from behind, we remain confident with the long-term prospect of the Shanghai and Guangzhou — respectively host to the 2010 World Expo and the 2010 Asian Games — and the property market in these 2 cities.

For the Hong Kong property market, into the first part of 2009 we have seen that both transacted prices and volume have been recovering from their trough in 2008. General expectation is that the market will remain stable in 2009. With limited annual supply, there is fair chance that the Hong Kong property market may poise to benefit from the new inflation cycle once global recessionary pressure eases.

In the times ahead, the management will continue to adjust its business strategy to apply execution plan in a cautious, cost-effective, and disciplined manner.

REVIEW OF FINANCE

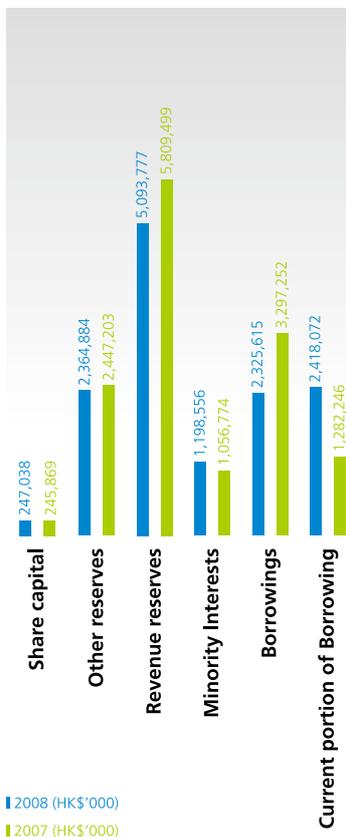
(1) Financial Position The financial position of the Group remained strong. Total funds employed was maintained at HK\$14 billion at 31 December 2008 (2007: HK\$14 billion).

The number of the issued shares of the Company increased as a result of the exercise of share options and the conversion of convertible bonds during the year.

(2) Group Liquidity, Financial Resources and Gearing Ratio The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2008, total bank borrowings amounted to HK\$4,744 million. Cash and bank balances as of 31 December 2008 stood at HK\$1,291 million and the gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets excluding cash and bank balances, stayed at a healthy level of 25% at 31 December 2008.

Sources of Funding

As at 31 December 2008



Of the long-term bank borrowings, around 60% had maturities over a period of one year and above.

The Group's liquidity and gearing ratio stayed at a healthy level and the Group has sufficient funds to meet its commitments and operational requirements. On 23 March 2009, the Group has redeemed the entire amount of the outstanding convertible bonds of HK\$20 million at 91.49% of their principal amount.

(3) Treasury Policies The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed

to minimise risk. The majority of the Group's borrowings are in Hong Kong dollars. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposures. Interest rate swap contracts are also utilised when considered appropriate to avoid the impact of any undue interest rate fluctuation on the operation. During the year, the Group has not engaged in the use of these derivative products.

(4) Charges on Group Assets As of 31 December 2008, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK\$6,409 million (2007: HK\$5,618 million) to banks to secure the Group's borrowing facilities.

(5) Guarantees As of 31 December 2008, the Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries, jointly controlled entities and associated companies amounting to HK\$5,953 million (2007: HK\$6,045 million), HK\$2,404 million (2007: HK\$775 million) and HK\$1,009 million (2007: HK\$1,009 million) respectively, of which HK\$4,016 million (2007: HK\$3,232 million), HK\$1,437 million (2007: HK\$438 million) and HK\$642 million (2007: HK\$642 million) have been utilised respectively.

The Company has also executed guarantees in favour of convertible bondholders in respect of the convertible bonds issued by a subsidiary. The outstanding amount of such convertible bonds was HK\$20 million (2007: HK\$40 million) at 31 December 2008. On 23 March 2009, the Company has redeemed the HK\$20 million convertible bonds at 91.49% of their face value in accordance with the terms of their issue.

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2008, the Group (excluding associated companies and jointly controlled entities) employed 332 employees in Hong Kong and the Mainland China. During the year, the Group's remuneration policy in Hong Kong and the Mainland China remained generally in line with that of year 2007, which had been disclosed in the "Management Discussion and Analysis" section in the 2007 annual report of the Company.

Properties Earmarked for Launch

K. Wah International Holdings Limited

Hong Kong

Shanghai

Guangzhou



Annual Report 2008

Schedule of the Group's Significant Properties

	Type of Property	Gross Floor Area sq. metres	Group's Interest %	Lease Term	Stage of Completion	Estimated Completion Date
INVESTMENT AND OTHER PROPERTIES						
Hong Kong						
K. Wah Centre, 28th, 29th and 30th Floors, 191 Java Road, North Point	Office	2,926	100	2106	Completed	Existing
Skyline Commercial Centre, 71, 73, 75 & 77 Wing Lok Street, Sheung Wan	Office/Commercial	3,894	100	2841	Completed	Existing
Mainland China						
Shanghai K. Wah Centre, Lot No. 26, Street No. 6, Huaihai Zhong Road, Xuhui District, Shanghai	Office	72,000	39.6	2047	Completed	Existing
Singapore						
San Centre, 171 to 187 Chin Swee Road, Singapore (Note)	Office	5,747	100	2068	Completed	Existing
Note: Floor area of 1,964 sq. metres of San Centre is held for sale.						
DEVELOPMENT PROPERTIES						
Hong Kong						
Kingsfield Centre, 18–20 Shell Street, North Point	Office	1,873	100	2069	Completed	Existing
The Great Hill No. 8 Tung Lo Wan Hill Road, Sha Tin	Residential	11,000	100	2054	Completed	Existing
No. 6 Shiu Fai Terrace, Hong Kong	Residential	6,340	100	2070	Super-structure	2010
Tai Po Town Lot No. 188 at Pak Shek Kok, Reclamation Phase 1, Site C, Tai Po, New Territories	Residential	69,700	25	2057	Foundation	2011
Kowloon Inland Lot No. 11073 at Junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road	Residential/Commercial	60,500	15	2057	Foundation	2011
Tai Po Town Lot No. 186 at Pak Shek Kok Development Area, Phase I, Site B, Tai Po, New Territories	Residential	66,500	15	2057	Foundation	2011
Aberdeen Inland Lot No. 451 at Welfare Road, Aberdeen, Hong Kong	Residential	60,000	35	2057	Sub-structure	2012
Mainland China						
Xinhua Zhen, Huadu City, Guangdong	Mix Use	1,147,000	99.9	2034 to 2068	Planning	2011 and beyond
廣州市花都區新華鎮迎賓大道北地塊	Residential/Commercial/Office	323,000	100	2039 to 2069	Construction	2010 and beyond
廣州市花都區建設北路地塊	Residential	46,000	100	2077	Planning	2011 and beyond
Lot A&B, No. 68 Jianguo Xi Road, Xuhui District, Shanghai	Mix Use	140,000	100	2065	Construction	2010 and beyond
Plot Phase III of Yanjiazhai Jingan District, Shanghai	Residential	100,000	99	2072	Construction	2011 and beyond
Lot No. 701 Guangzhong Road, Zhabei District, Shanghai (Phase II and III)	Residential	240,000	100	2073	Construction	2009 and beyond

Project Portfolio

The Great Hill, Hong Kong

Type
Luxury residential development

Location
Mid-levels of southern Shatin, N.T.

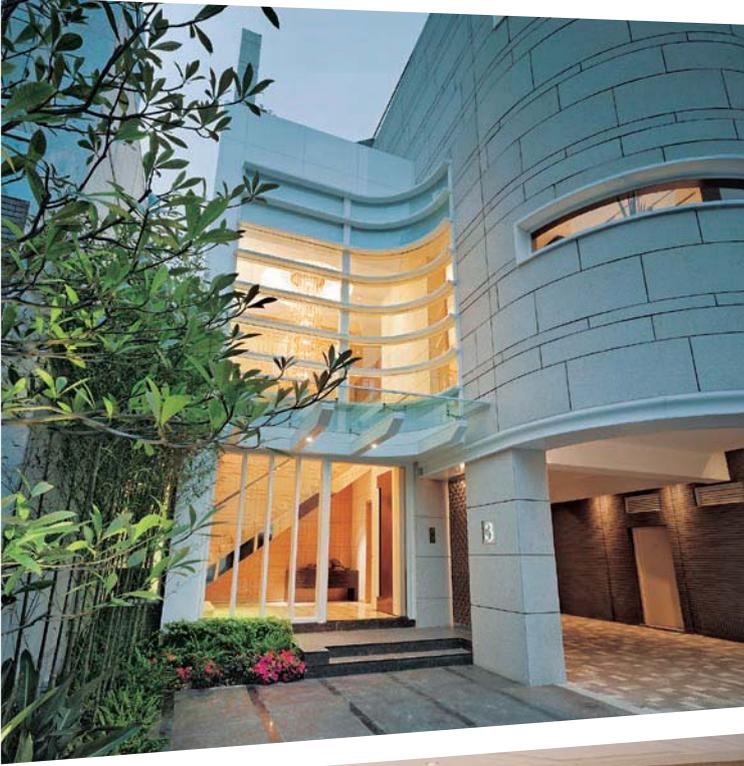
Gross Floor Area
30,000 sqm

No. of Units
122 (114 apartments
and 8 houses)

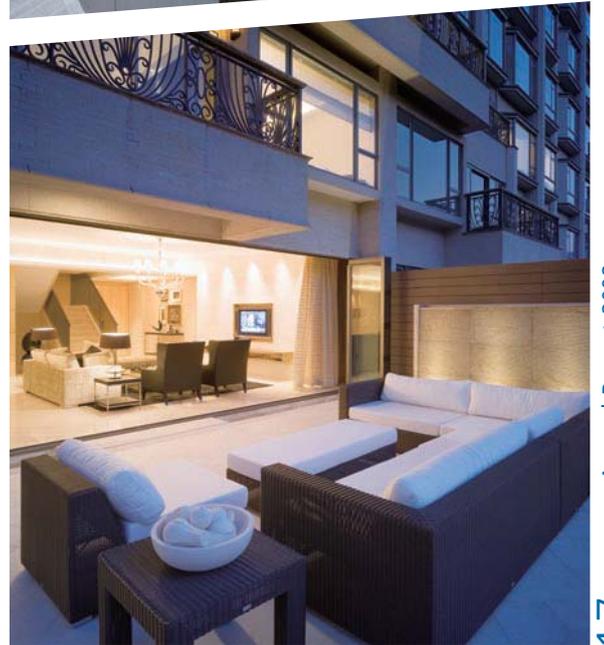


"At KWIH, creating value with customer needs in mind is the guiding principle behind everything we do. Throughout the years, we have introduced many upscale properties in Hong Kong with respective uniqueness. We are versatile in developing innovative and trend setting projects; together the collaboration with world class architects, we will continue to uphold our business philosophy of innovation, attention to details, added value and swift response to market needs, to bring architecture and the art of living together for our respective customers."

Mr. Alexander Lui
Managing Director — Hong Kong Properties



THE Great hill 嘉御山
沙田南半山 花園大宅



Project Portfolio

J SENSES, Hong Kong (Arcade of J Residence)

Type

An exquisite and exotic dining cum lifestyle arcade rehabilitated from a century-old heritage building

Location

60 Johnston Road, Wanchai

Occupancy Rate

100%



"With extensive experience in real estate, the Group blends innovation, functionality and quality in all its properties. Building on our track record and expertise over the years, we aim at bringing more new choices to our customers in the Mainland market."

Mr. Wilson Chan
Associate Director — Sales & Marketing
Hong Kong Properties



JSENSES



Project Portfolio

Shanghai Westwood II

Type
Large-scale residential
development

Location
Daning International Community,
Zhabei, Shanghai

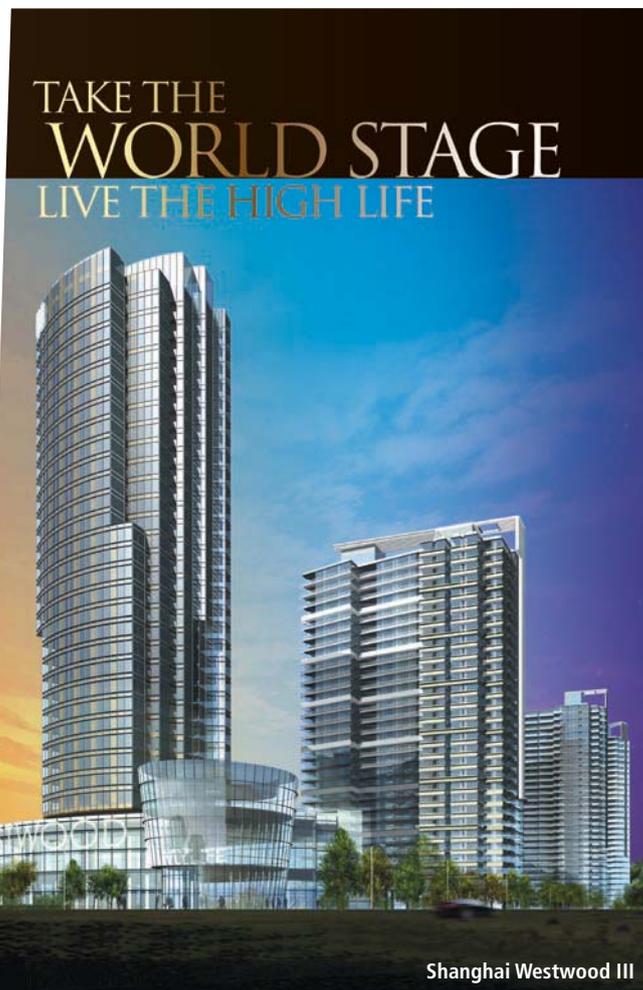
Gross Floor Area (Residential
portion)
130,000 sqm

No. of Units
1,061



"Let architecture enchant life, let life appraise architecture. A good architecture can enhance qualitative life and value of a property in long-term. A good design shall always evolve with time, and shall take good consideration on the style of living and personal desire of its end users. The uniqueness of the taste created by a good design plus a caring property management service are always the major consideration for selecting a property which you will call "home"."

Mr. David Ng
Director — Shanghai Operations



The Daning Commercial Plaza

Shanghai Westwood III

Project Portfolio

Shanghai K. Wah Centre

Type
Grade A office

Location
Huaihai Zhong Road, Shanghai

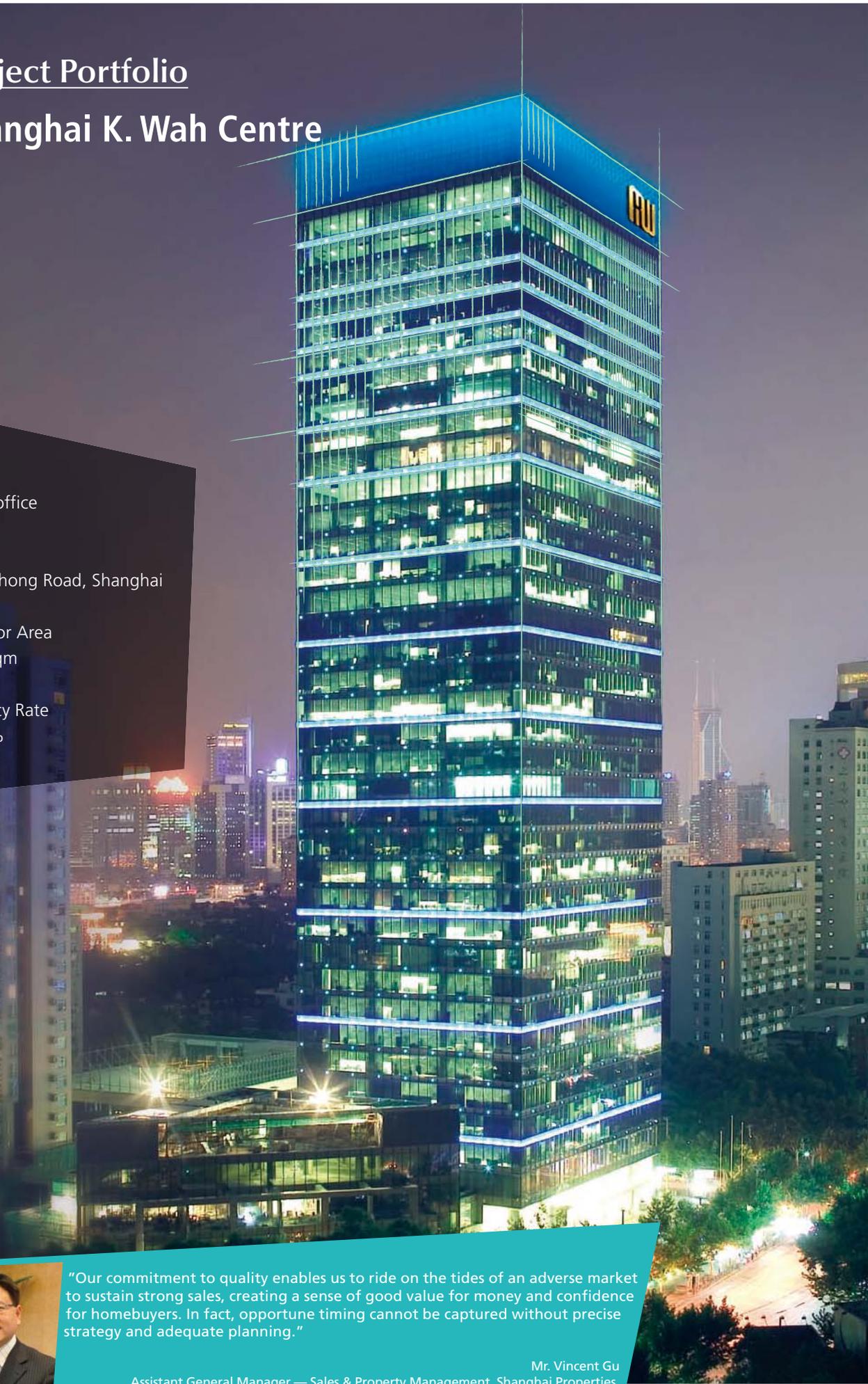
Gross Floor Area
72,000 sqm

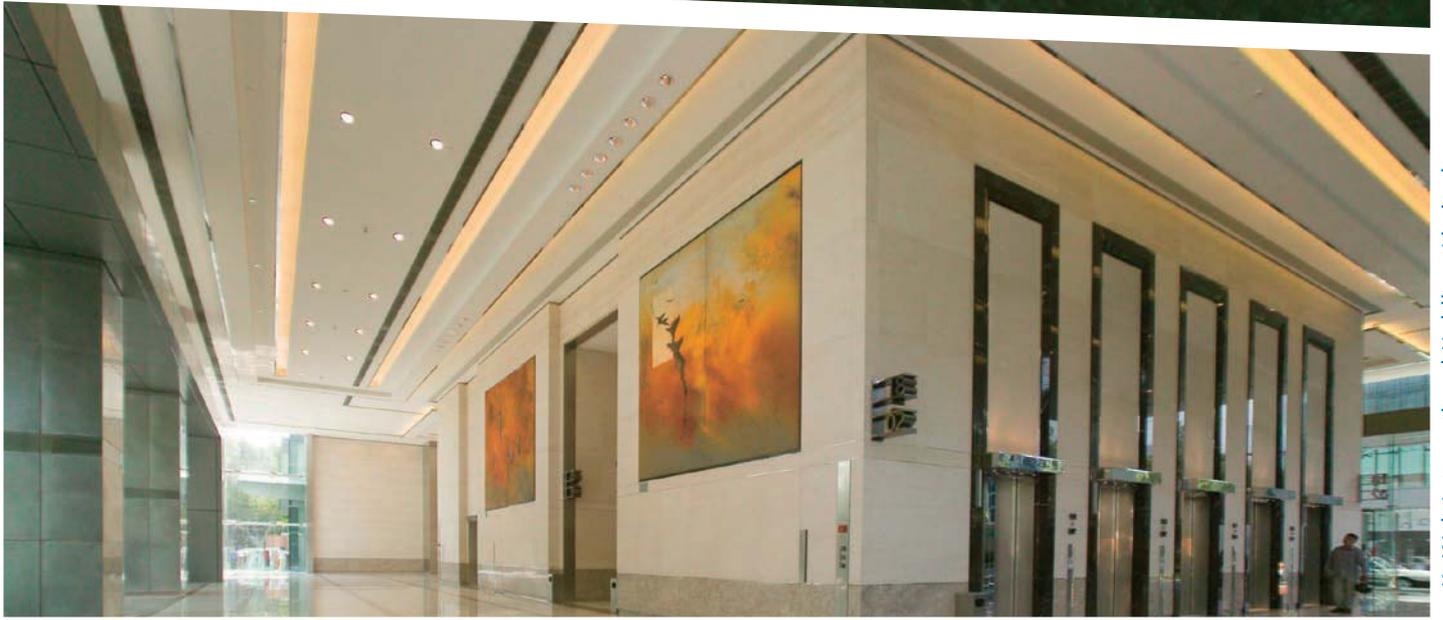
Occupancy Rate
Over 90%



"Our commitment to quality enables us to ride on the tides of an adverse market to sustain strong sales, creating a sense of good value for money and confidence for homebuyers. In fact, opportune timing cannot be captured without precise strategy and adequate planning."

Mr. Vincent Gu
Assistant General Manager — Sales & Property Management, Shanghai Properties





Project Portfolio

Jianguo Xi Road Project, Xuhui District, Shanghai

Type
French style high-end residential
units and serviced apartments

Location
Jianguo Xi Road, Xuhui District,
Shanghai

Gross Floor Area
140,000 sqm

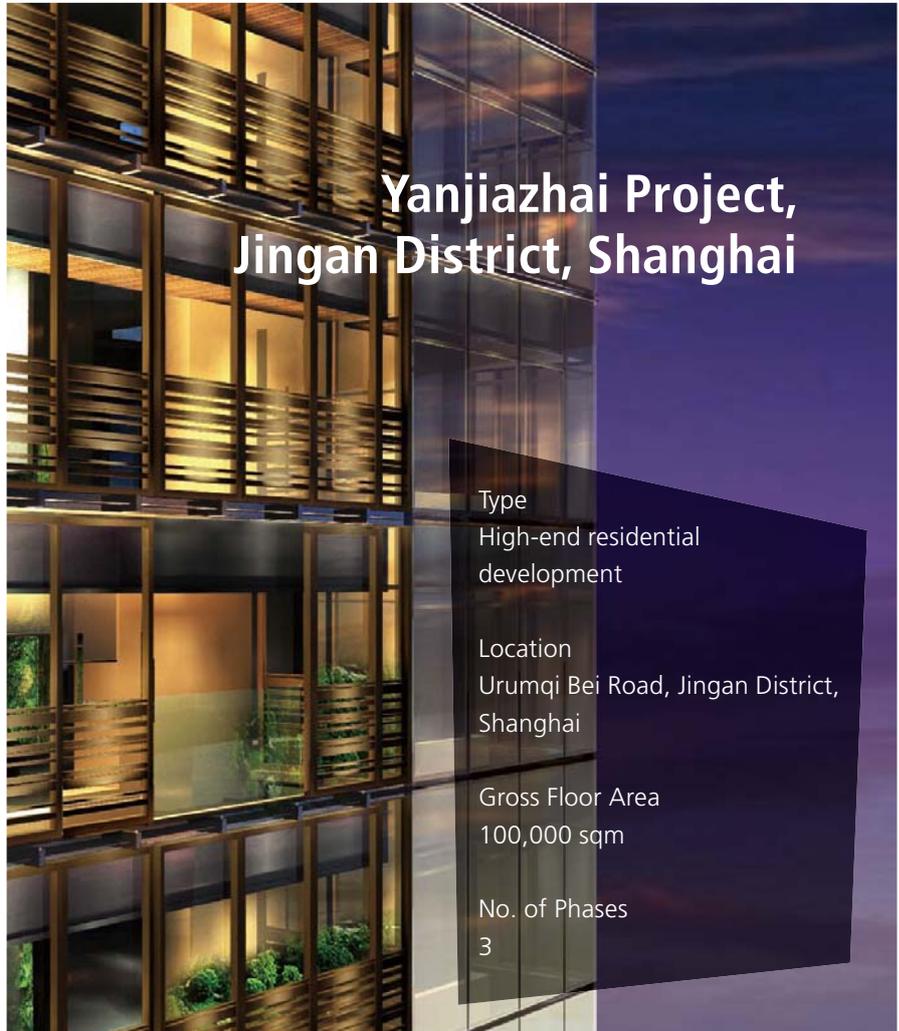
No. of Phases
4



Three residential towers already topped out

Shanghai

The Group's two luxurious developments are located in downtown Shanghai, namely the Jingan District Project and Xuhui District Project. The former is situated in an upscale residential district, neighbouring the Nanjing Xi Road Commercial Circle. Surrounded by low-rise buildings, the property offers unparalleled city view. The latter is within walking distance from the CBD at Huaihai Zhong Road, and consists of premium residential units, serviced apartments and arcade. Construction of the properties is underway and the launch will be planned opportunely considering their huge potential.



Yanjiazhai Project, Jingan District, Shanghai

Type
High-end residential
development

Location
Urumqi Bei Road, Jingan District,
Shanghai

Gross Floor Area
100,000 sqm

No. of Phases
3



Progress in March 2009



Project Portfolio

Guangzhou Huadu Airport CBD Project



Type
Integrated development

Location
Yingbin Road North,
Xinhua Town, Huadu
Guangzhou

Gross Floor Area
323,000 sqm



Progress of hotel and office tower in April 2009



Guangzhou

Huadu, situated strategically in northern Guangzhou, is one of the major markets where the Group begins to establish large-scale integrated developments. Spurred by the opening of the Baiyun International Airport, Huadu has emerged as a major logistics hub embracing air and land transportations in addition to other key economic drivers, namely, automobile, jewellery and leather goods manufacturing. The influx of investments by state-owned and foreign corporations has laid a solid foundation for Huadu's development, while also enabling the Group to capitalise on increasing demand for residential and commercial facilities. Besides, the Wuhan — Guangzhou Railway under construction and imminent construction of mass transit railway Route 9 will further improve Huadu's infrastructure.



Guangzhou Huadu Mega Integrated Project

K. Wah International Holdings Limited



Type
Large-scale integrated
community

Location
Xinhua Town, Huadu
Guangzhou

Gross Floor Area
1,147,000 sqm

No. of Phases
6

Annual Report 2008

Project Portfolio

No. 6 Shiu Fai Terrace, Stubbs Road, Hong Kong



Progress in March 2009

Tai Po Town Lot No. 186 and No. 188 at Pak Shek Kok, Tai Po, New Territories, Hong Kong



Hong Kong

The Group has acquired a number of prime plots in Hong Kong, the construction of which is underway. The projects will be developed into high-end residential properties with innovative design. Launch of these projects will be carefully planned to generate maximum returns in the next few years.



Aberdeen Inland Lot No. 451
at Welfare Road,
Aberdeen, Hong Kong

Progress in April 2009



Kowloon Inland Lot No. 11073
at Hoi Wang Road,
West Kowloon, Hong Kong

Progress in March 2009

Corporate Governance Report

As at 7 April 2009

This is the 4th year we report on the corporate governance of the Company.

The objective of the management structure within the Group — headed by our Board and led by the Chairman — is to deliver sustainable value to our Shareholders. To this end, good corporate governance plays a significant role.

BOARD OF DIRECTORS

The Board Led by the Chairman, the Board as the highest governing body of the Company has the responsibility for leadership and control of the Group. The Board sets the strategy of the Group and approves the annual operating budget prepared and presented by the management for achieving the Group's strategic objectives.

Chairman and Managing Director Dr. Che-woo Lui currently takes the roles of both the Chairman and the Managing Director of the Company. He leads the Board and heads the management on the day-to-day operations of the Group.

Board Composition The Board currently comprises 10 Board members: the Chairman and Managing Director, 3 other executive Directors ("EDs"), 1 non-executive Director ("NED") and 5 independent non-executive Directors ("INEDs"). The biographical details of each Director who served during the year are set out on pages 38 to 40 of this annual report.

The EDs are employees of the Company who carry out executive functions in addition to their duties as Directors. They are collectively responsible for promoting the success of the Company by directing strategic objectives and overseeing the management's performance to ensure the efficient disposition of the Group's resources for the achievement of the strategic objectives set by the Board.

The NED and INEDs are not employees of the Company and do not participate in the daily management of the Group's business. Our NED and INEDs bring external perspective, constructively challenge and help develop proposals on strategy, scrutinize the management in meeting agreed goals and monitor performance reporting. Through their wealth of experience across a number of industries and business sectors, our NED and INEDs contribute valuable views and proposals for the Board's deliberation and decisions. One of our INEDs has accounting professional qualification.

During the year under review, Dr. Philip Wong Kin Hang and Dr. Charles Cheung Wai Bun retired as NED and INED, respectively, at the conclusion of the annual general meeting of the Company held on 27 May 2008. Mr. Lam Kwong Yu has been appointed as an ED with effect from 28 May 2008. Mr. Lennon Lun

Tsan Kau resigned as an ED and the Deputy Managing Director of the Company with effect from 16 June 2008. Dr. William Yip Shue Lam has been appointed as an INED with effect from 20 June 2008. Mr. Eddie Hui Ki On resigned as an ED and the (Acting) Managing Director of the Company with effect from 6 January 2009. Dr. Che-woo Lui, being an ED and the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 6 January 2009.

Board Practices In 2008, the Board held 4 Board meetings at approximately quarterly intervals, the dates of which were scheduled at the beginning of the year. Notice of at least 14 days in advance was given for convening a regular Board meeting.

The Directors actively participated in person at each Board meeting to review the business progress against budget. Matters requiring Board consents were given by vote at the Board meeting where Board members acted collectively as a unit. Between scheduled Board meetings, routine/operational matters were considered and approved by the Board via the circulation of written resolutions with supporting materials, explanatory write-ups from the company secretary or briefings from the management as appropriate.

The Company has a set of comprehensive induction materials for newly appointed Directors. The company secretary has regularly updated Directors on compliance developments. All Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and an applicable rules and regulations, are followed. The Company has directors and officers liability insurance in place against their risks and exposure arising from the Group's business and activities.

Our NED and INEDs are either senior ex-civil servants or veteran professionals/businessmen who have brought not only a wide range of skills and experience to the Group but also independent judgment to bear on issues of strategy, performance, risk and people through their contributions at Board meetings and also at meetings of the audit committee ("Audit Committee") and remuneration committee ("Remuneration Committee") of the Company.

The Board has procedures in place to ensure that conflict of interest will be resolved in accordance with the spirit and requirement of code provision A.1.8 of Appendix 14 of the Listing Rules. The Company assists the INEDs with professional advice (at the Company's expenses) and management briefings for them to arrive at their recommendations on matters involving conflict of interest.

A high majority of the NED and INEDs attended the Company's 2008 annual general meeting.

Supply and Access to Information The company secretary circulated meeting agenda (with arrangements for Directors to include their own items if thought fit) and supporting papers to the Directors at least 3 days in advance of a Board meeting, and attended Board meeting to assist in the proceedings.

All Directors have access to and open contact with senior management for any information and are entitled to have access to board papers and related materials as they require to make informed decisions on matters placed before them. Assisted by the company secretary, the Chairman of the Board has ensured that the Directors have been properly briefed on issues arising at Board meetings and supplied with information and papers as promptly and fully as possible. The Directors have access to independent professional advice when it becomes necessary and also the services of the company secretary who has

been regularly updating the Directors on governance and regulatory matters. The service of independent professional advice at the Company's expenses is also available to the members of the Audit Committee and the Remuneration Committee. External auditor (being PwC) attended all the Audit Committee meetings as well as Board meetings convened for approving annual and interim results.

The company secretary has kept all the minutes of Board meetings, which together with any supporting board papers, are available to all Board members. These minutes recorded matters considered by the Board and views expressed by the Directors. Draft and final versions of these minutes are sent to all Directors for their comment and records, respectively, in both cases, within a reasonable time after each meeting.

Directors' attendance in Board and other Board Committee meetings in 2008 is as follows:

Name of Director	Meetings attended/Eligible to attend			
	Board Meeting (4)	Audit Committee Meeting (2)	Remuneration Committee Meeting (1)	Annual General Meeting (1)
Executive Directors				
Che-woo Lui (Chairman & Managing Director) ¹	3/4	N/A	N/A	1/1
Francis Lui Yiu Tung ²	0/4	N/A	N/A	0/1
Eddie Hui Ki On (Acting Managing Director) ³	0/4	N/A	0/1	0/1
Lennon Lun Tsan Kau (Deputy Managing Director) ⁴	1/2	N/A	N/A	0/1
Paddy Tang Lui Wai Yu ⁵	4/4	N/A	N/A	1/1
Lam Kwong Yu ⁶	3/3	N/A	N/A	N/A
Non-executive Directors				
Michael Leung Man Kin	4/4	2/2	N/A	1/1
Philip Wong Kin Hang ⁷	0/1	N/A	N/A	0/1
Independent Non-executive Directors				
Sir David Akers-Jones	3/4	N/A	N/A	1/1
Leo Lee Tung Hai	3/4	N/A	N/A	1/1
Robin Chan Yau Hing	1/4	N/A	N/A	1/1
Charles Cheung Wai Bun ⁸	1/1	1/1	1/1	0/1
Robert George Nield	3/4	2/2	1/1	1/1
William Yip Shue Lam ⁹	2/2	1/1	N/A	N/A
Total	28/45	6/6	2/3	7/12
Average attendance rate	62%	100%	67%	58%

1. Dr. Che-woo Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. Dr. Lui was appointed as the Managing Director and the chairman of the Remuneration Committee on 6 January 2009.
2. Mr. Francis Lui Yiu Tung is the son of Dr. Che-woo Lui, and the younger brother of Ms. Paddy Tang Lui Wai Yu.
3. Mr. Eddie Hui Ki On resigned as an ED and (Acting) Managing Director on 6 January 2009.
4. Mr. Lennon Lun Tsan Kau resigned as an ED and the Deputy Managing Director on 16 June 2008.
5. Ms. Paddy Tang Lui Wai Yu is the daughter of Dr. Che-woo Lui, and the elder sister of Mr. Francis Lui Yiu Tung.
6. Mr. Lam Kwong Yu was appointed as an ED on 28 May 2008.
7. Dr. Philip Wong Kin Hang retired as an NED on 27 May 2008.
8. Dr. Charles Cheung Wai Bun retired as an INED, the chairman of the Audit Committee and a member of the Remuneration Committee on 27 May 2008.
9. Dr. William Yip Shue Lam was appointed as an INED, the chairman of the Audit Committee and a member of the Remuneration Committee on 20 June 2008.

Appointment, Re-election and Removal All our NED and INEDs are appointed for a specified term of 3 years, subject to re-election by Shareholders at the annual general meetings of the Company.

In accordance with Bye-law 109(A) of the Bye-laws, other than the executive Chairman and the Managing Director of the Company, one-third of the Directors for the time being (or the number nearest one-third), shall retire by rotation and stand for re-election at each annual general meeting of the Company. At the forthcoming 2009 annual general meeting ("2009 AGM") of the Company, Sir David Akers-Jones and Dr. The Hon. Leo Lee Tung Hai, representing the required one-third in number, shall retire from office by rotation and stand for re-election.

Also, in accordance with Bye-law 100 of the Bye-laws, Mr. Lam Kwong Yu and Dr. William Yip Shue Lam, being Directors appointed by the Board, shall also retire from office at the forthcoming 2009 AGM, being the first general meeting after their respective appointments. Dr. William Yip Shue Lam shall stand for re-election whilst Mr. Lam Kwong Yu has indicated his intention to retire at the forthcoming 2009 AGM.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors, and assessing the independence of INEDs so as to ensure that there is a balance of expertise, skill, and experience appropriate for the business and long-term development of the Group.

Model Code for Securities Transactions by Directors The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons that complies with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. Each Director has confirmed that he or she has complied with the adopted code throughout the year ended 31 December 2008. The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company's securities by certain of its employees.

Other than the continuing connected transactions disclosed in the Report of the Directors, none of the Directors had, at any time during the year or at the balance sheet date, a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

Confirmation of Independence Sir David Akers-Jones, Dr. Robin Chan Yau Hing and Dr. The Hon. Leo Lee Tung Hai have served on the Board for more than 9 years; and in that respect only, do not meet the Recommended Best Practice A.4.3 of Appendix 14 of the Listing Rules. The Board however considers all of its INEDs independent in character and judgment as within the guidelines under Rule 3.13 of the Listing Rules. In reaching its determination, the Board has concluded that there are no relationships or circumstances that are likely to affect any INED's judgment. In accordance with Rule 3.13 of the Listing Rules, each of the 5 INEDs determined by the Board as independent has provided an annual confirmation of his independence to the Company. The Company has identified its INEDs as such in all its corporate communications to the Shareholders.

DELEGATION BY THE BOARD

Within the clear guidelines which it sets, the Board has delegated to an executive board ("Executive Board") established by it, comprising all the EDs, authority to oversee the implementation of the Group's strategy set by the Board, monitor the Group's investment and trading performance and funding and finance requirements, and review management performance. The Board retains to itself authority on annual budgets and accounts, dividends, share capital, derivative transactions, connected transactions and transactions requiring Shareholders' approval, and certain financing, acquisitions, disposals and operation issues above predetermined thresholds.

The Executive Board also meets regularly and operates as a general management committee under the direct authority of the Board. The Executive Board reports through the Chairman and Managing Director to the Board. The Executive Board sub-delegates day-to-day administration details to its members charged with specific operation tasks under the leadership of the Chairman and Managing Director.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee The role and function of the Remuneration Committee are set out in its terms of reference which had been posted on the website of the Company. The Remuneration Committee comprises 3 members identified in the table on page 31 of whom 2 are INEDs. Dr. Che-woo Lui was appointed the chairman of the Remuneration Committee to fill the vacancy of Mr. Eddie Hui Ki On on 6 January 2009. The company secretary acts as the secretary of the Remuneration Committee, who has kept full minutes of the Remuneration Committee meetings with drafts and final versions circulating to the members for their comment and records respectively soon after the relevant meetings.

In accordance with its terms of reference, the Remuneration Committee:

- on 24 January 2008, considered and endorsed the Executive Board's Share Option Scheme 13th Offer Proposal on granting options to Directors;
- on 5 February 2008, reviewed and approved the 2007 year-end bonus paid to the EDs;
- on 31 March 2008, reviewed the level of Directors' fees and remuneration packages of the EDs (who also constituted senior management of the Company) for 2007;
- on 3 March 2009, considered and endorsed the Executive Board's Share Option Scheme 14th Offer Proposal on granting options to (among others) certain Directors; and
- on 2 April 2009, reviewed the proposed Directors' fees and the remuneration packages of the EDs (who also constituted senior management of the Company) for 2008.

The Remuneration Committee's proposals on the ED's remuneration packages and the Directors' fees for 2008 have been endorsed by the Board, and the proposed Directors' fees will be recommended for our Shareholders' approval at the forthcoming 2009 AGM.

No Director has participated in the determination of his or her own remuneration.

Details of Directors' Remuneration and Five Highest Pay Individuals of the Group for the year ended 31 December 2008 are set out in notes 10 and 11 to the 2008 Financial Statements respectively.

ACCOUNTABILITY

Financial Reporting The Board is accountable for the proper stewardship of the Group's affairs, and Directors acknowledge their responsibility for preparing the financial statements of the Company in accordance with the requirements of the Listing Rules and applicable laws as well as the integrity of the financial information so reported. Such responsibility is extended to cover not only the annual and interim reports but also announcements and other financial disclosures of the Company required under the Listing Rules. The Directors' statements of responsibility for the financial statements should be read in conjunction with — but at the same time distinguished from the statements of reporting responsibilities of PwC on page 49 of this annual report.

The management of individual businesses within the Group provides the Directors with such information and explanations necessary to enable them to make

an informed assessment of the financial and other information put before the Board for approval.

The Group has adopted the going concern basis in preparing its financial statements.

Internal Controls The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's system of internal controls.

The Group has a clear organizational structure with well defined responsibilities, reporting lines and authority limits and budgetary controls on managers of operating divisions. The scope of internal controls and risk management covering financial, operational, and compliance areas, and control procedures are to identify and then manage risks.

The Company's internal audit function — currently staffed by 3 qualified professionals — is set up to provide the Board with reasonable assurance that the internal control system of the Company is effective, and that the risks associated with the achievement of business objectives of the Group are being managed properly. During the year, the internal audit function drew up internal audit plan, discussed with management on areas of risk identified, and reviewed its internal audit report with the Audit Committee. Chairman of the Audit Committee has open access to the head of the internal audit function.

In compliance with the new code provision C.2.2 of Appendix 14 of the Listing Rules issued by the Stock Exchange, internal audit department had assessed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The result of assessment is satisfactory.

During the year 2008 and up to the balance sheet date, there was no significant control failure, as the internal audit department so reported to the Board through the Audit Committee.

Audit Committee The Audit Committee is accountable to the Board and assists the Board in ensuring an effective system for meeting its external financial reporting obligations and internal control and compliance.

The Audit Committee comprises 2 INEDs and 1 NED, identified in the table on page 31. Dr. Charles Cheung Wai Bun resigned as the chairman of the Audit Committee on 27 May 2008 and Dr. William Yip Shue Lam (INED) was appointed as the chairman of the Audit Committee on 20 June 2008. The company secretary acts as the secretary of the Audit Committee, who has kept full minutes of the Audit Committee meetings with drafts and final versions

circulating to the members for their comment and records respectively soon after the relevant meetings. Regular attendees at the Audit Committee meetings are the senior management of the Company responsible for the accounting and financial reporting function, head of the internal audit function, and the senior representatives of PwC. On 7 April 2009, the Board had adopted an updated terms of reference of the Audit Committee in order to reflect the latest amendments to code provision C.3.3 of Appendix 14 of the Listing Rules. The updated terms of reference of the Audit Committee had been posted on the website of the Company.

In 2008, the Audit Committee met twice, in March 2008 to review the Company's 2007 annual results and financial statements, and in September 2008 to review the Company's 2008 interim results and financial statements. At its meeting in March 2008, the Audit Committee also reviewed the report on the effectiveness of the risk assessment and internal control system of the Group from the internal audit department. Each meeting received written reports and papers from PwC.

The Audit Committee was satisfied with the independence of PwC during the year and has recommended the Board to propose for the re-appointment of PwC as the external auditor of the Company at the forthcoming 2009 AGM. It is considered that the fees paid to PwC for its non-audit services for 2008 were not significant and have not affected its independence.

COMMUNICATION WITH SHAREHOLDERS

In addition to sending annual reports, interim reports, circulars and notices to our Shareholders, the Company also makes these materials, which contain extensive information about the Group's activities, timely available for access by our Shareholders at both the Stock Exchange's and the Company's own websites.

The Company has a member of its senior management specifically charged with investors relationship functions. The Company responds to enquiries from Shareholders and investors on matters relating to the business of the Group in an informative and timely manner. Every year, upon announcing results, the Company holds press conference and briefings with the investment community, and the EDs also have regular dialogue with institutional investors and financial analysts. In between times, the Company organized site visits and meetings for analysts to get a deeper understanding of our products. The Company received coverage on its business and stock performance from leading financial commentators and research team of local and international securities houses.

The Company encourages Shareholders to attend annual general meetings and all other shareholders' meetings to discuss progress and matters. The Chairman of the Board and other Directors are available at these meetings to answer Shareholders' questions. In accordance with the newly amended Rule 13.39(4) of the Listing Rules, all the resolutions to be proposed at the forthcoming 2009 AGM will be decided on poll. The Company's branch share registrars in Hong Kong will act as scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with Rule 2.07C of the Listing Rules on both the Stock Exchange's and the Company's own websites. Chairman of the 2009 AGM (and chairman of any other shareholders' meeting) will ensure that any vote of Shareholders at the 2009 AGM (and any other shareholders' meeting) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES

Code Provision A.2.1 During the year ended 31 December 2008, the Company had complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules, except that there was no separation of the roles of the Chairman and the Managing Director, both of the roles are currently undertaken by Dr. Che-woo Lui.

The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible EDs. The Board found that the current management had worked effectively in enabling it to discharge its responsibilities satisfactorily. In addition, the five INEDs have contributed valuable independently views and proposals for the Board's deliberation and decisions. The Board will review the management structure regularly to ensure it continues to meet these objectives and is in line with industry practices.

Code Provision A.4.2 Throughout the year under review, the Company had complied with the code provisions in the CG Code, except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Bye-Laws and the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

Corporate Social Responsibility

PERSISTENT COMMITMENT TO PEOPLE

“During the good times, it is always commendable to help others. But when the tides change, it becomes important and even necessary for everyone in the society to unite to sail it through.”



PARTNERSHIP FOR TALENT NURTURING

Under no circumstance will the Group forget its social responsibility of talent nurturing and developing people of different talents to contribute to the growth of a community. Over the years, the Group has been a keen supporter of education in Hong Kong and Mainland China by forging strategic partnerships with numerous institutions.

In the face of the financial turmoil, the Chairman extended his support to Hong Kong Polytechnic University which named an academic building after him in recognition of his contribution and long-standing support (Photos 1 and 2).

To bring about synergy in talent nurturing, the Group co-organized Fudan K. Wah Day with Fudan University in Shanghai in September 2008 (Photos 3 and 4), marking a new chapter for school-enterprise partnership that offers training opportunities for both Fudan students and K. Wah staff. Dr. Lui also made a contribution for the renovation and expansion of Lui Che Woo Building, the office tower of Fudan's central administration (Photo 5).

Besides, Dr. Lui has also pledged a donation to Wuyi University in Jiangmen for establishing its business school building (Photo 6).





In addition to financial support, Dr. Lui and the Group's senior management also made it a personal commitment to grooming future leaders. At the programme *Talking to CEOs* broadcasted in June 2008, Dr. Lui shared his insights into business and management with the EMBA scholars and students **(Photo 7)**. Executives of the Group are also keen speakers in various occasions to promote positive values to and share their expertise with different audience.

REWARDING THE COMMUNITY WITH CONCERTED EFFORT

Social sustainability counts on the concerted effort of every member in the community, in particular corporate citizens. The Group strives to echo with genuine social needs with company resources and the involvement of staff through a wide range of activities.

These include Walk for Millions of Community Chest **(Photo 8)**, visit to the Shanghai Children's Home **(Photo 9)** and the staff-initiated fund raising programme to help the quake victims in Sichuan. The Group also supports other initiatives that facilitate national social development, for instance, the Shanghai Music Fireworks of Shanghai Tourism Festival 2008 and the AIDS prevention and research projects by Aaron Diamond AIDS Research Centre in Mainland China.

Adhering to the belief that companies grow and succeed along with their employees, the Group adopts fairness and integrity as the key components of its DNA strands shaping all developments, sustaining growth and helping pursue excellence with teamwork.



CULTIVATING OPEN AND FAIR CULTURE

By encouraging constant and sincere communication between management and their team members, the Group brings talent into full play and contributes to the company's success in the long run.

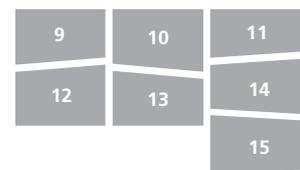
We are committed to providing a level playing field for all employees which is crucial for motivating staff to perform at their best. Apart from the transparent assessment scheme, recognitions of staff achievements are of equal importance in the Group. Staff Awards and Long Service Awards are granted to outstanding and devoted staff annually to increase their incentives and boost staff morale **(Photo 9)**.

STRENGTHENING TRAINING AND DEVELOPMENTS

To meet with future growth and unleash staff talents, we provide full support for our people in lifelong learning and self enhancement. We commissioned professional bodies to offer training programmes to staff **(Photo 10)**. Scholars and experts are also invited to deliver talks to management for whom to stay abreast of the market trends **(Photo 11)**.

PROMOTING STAFF WELLNESS AND TEAMWORK

We also count for staff well being and collaboration. Only if a harmonic working environment and teamwork are established, can our staff embrace the company's values and accomplish corporate missions. Various staff activities are organized to build staff unity and loyalty including excursion **(Photo 12)**, Chinese New Year party **(Photo 13)** and regional annual dinners **(Photos 14 and 15)**.



Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. Che-woo Lui, GBS, MBE, JP, LLD, DSSc, DBA, aged 79, the founder of the Group, has been a Director since June 1989 and is the Chairman and the Managing Director of the Company. Dr. Lui has been appointed the chairman of the remuneration committee of the Company in January 2009. Dr. Lui is also the Chairman and an executive director of GEG. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He has over 50 years' experience in quarrying, construction materials and property development. He was the Founding Chairman of the Institute of Quarrying in UK (Hong Kong Branch) and the Chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the Founding Chairman of The Federation of Hong Kong Hotel Owners, the President of Tsim Sha Tsui East Property Developers Association, the Founding President of Hong Kong — Guangdong Economic Development Association and an Honorary President of Hong Kong — Shanghai Economic Development Association. Dr. Lui has been appointed as Member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Further, Dr. Lui was a Committee Member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 53, joined K. Wah group in 1979. He has been an executive Director since June 1989. Mr. Lui is also the deputy chairman and executive director of GEG. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. He is a member of the Shanghai Committee of the Chinese People's Political Consultative Conference and also a Committee Member of the 11th Chinese People's Political Consultative Conference. Mr. Lui is a son of Dr. Che-woo Lui and the younger brother of Ms. Paddy Tang Lui Wai Yu.

Ms. Paddy Tang Lui Wai Yu, JP, aged 55, joined the K. Wah group in 1980 and has been an executive Director since June 1989. She is also an executive director of GEG. Save as disclosed herein, she has no previous directorships in other public listed companies in the last 3 years. She holds a bachelor of commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Tang was a member of the Election Committee of the HKSAR. She is also a member of various public and social service organizations, including the Board of Ocean Park Corporation and the Chairman of the board of Opera Hong Kong Limited. Ms. Tang was appointed as a member of the Hong Kong Arts Development Council, the Statistic Advisory Board, the Standing Committee on Company Law Reform and Tourism Strategy Group in 2007. Ms. Tang was appointed the Justice of Peace by the Government of the HKSAR on 1 July 2005. Ms. Tang has been again elected as a member of the Election Committee of the HKSAR in December 2006. Ms. Tang is the daughter of Dr. Che-woo Lui and the elder sister of Mr. Francis Lui Yiu Tung.

Mr. Lam Kwong Yu, sbs, aged 64, joined the Group in March 2008 as the Chief Operating Officer. He has been an executive Director since May 2008. Mr. Lam specializes in civil aviation management, community relationship, public affairs and corporate governance. He had more than 41 years of service with the Government of the HKSAR and had been the Director-General of Civil Aviation since October 1998

until his retirement in April 2004. He had served as the Chairman of the Hong Kong Aviation Advisory Board and a member of the Hong Kong Airport Authority Board of the Government of the HKSAR. He is a current member of the Third Election Committee of the HKSAR and a Court Member of the Hong Kong University of Science and Technology. Mr. Lam was awarded the Silver Bauhinia Star by the Government of the HKSAR in 2004. Mr. Lam is an independent non-executive director of both Hong Kong Aircraft Engineering Company Limited and China Southern Airlines Company Limited, which are publicly listed companies on the Main Board of the Stock Exchange in Hong Kong. He is an independent director of New World First Bus Services Limited. Also, Mr. Lam was an independent non-executive director of China Resources Peoples Telephone Company Limited until its withdrawal of listing on 29 March 2006 and a non-executive director of Lei Shing Hong Limited until its withdrawal of listing on 17 March 2008. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years.

NON-EXECUTIVE DIRECTORS

Sir David Akers-Jones, KBE, GBM, CMG, Hon. RICS, JP, (independent non-executive Director) aged 82, was Adviser to the boards of the Company and K. Wah Construction Materials Limited (now GEG) from 1989 to 1997. He has been a Director since July 1997 and became an independent non-executive Director since 1998. He is an independent non-executive director of China Everbright International Limited, deputy chairman and non-executive director of both CNT Group Limited and Hysan Development Company Limited, all of which are publicly listed companies on the Main Board of the Stock Exchange in Hong Kong and is a member of many charitable organizations. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He was previously a member of the Hong Kong Civil Service and held senior appointments concluding with that of Chief Secretary and acting Governor before he retired in 1987. He was awarded the highest award of the Grand Bauhinia Medal in 2002 by the Government of the HKSAR.

Mr. Michael Leung Man Kin, CBE, JP, (non-executive Director) aged 70, served the Group in 1998 as Deputy Chairman (Administration) until 2001, and then as an Adviser until 2006. He was an executive Director in September 1998 and has become a non-executive Director since March 2001. Mr. Leung has been a member of the audit committee of the Company since March 2005. He has no previous directorships in other public listed companies in the last 3 years. Mr. Leung holds a BA (Hons) from the University of Hong Kong and a certificate in government and development from Oxford University, UK. He has served the Hong Kong Government for 32 years in a wide range of top level positions, including Secretary for Transport, Secretary for Education and Manpower and Commissioner of the Independent Commission Against Corruption. He also served as an Official Member of the Legislative Council.

Dr. The Hon. Leo Lee Tung Hai, GBM, GBS, LLD, JP, (independent non-executive Director) aged 87, has been a Director since June 1989 and has become an independent non-executive Director since 1998. Dr. Lee is the Chairman of the Tung Tai Group of Companies. His directorships in several publicly listed companies on the Main Board of the Stock Exchange in Hong Kong are the non-executive director of Asia Financial Holdings Limited and independent non-executive director of Liu Chong Hing Investment Limited. He resigned as the independent non-executive director of both Beijing Enterprises Holdings Limited and Termbary Industries International (Holdings) Limited in 2008 and also resigned as the independent non-executive director of Shell Electric Mfg. (Holdings) Company Limited in 2009. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He is a member of a number of public services committees and heads many social service organizations, including as Vice President of the China Overseas Friendship Association, Founding Permanent Honorary President of Friends of Hong Kong Association, Adviser of the Advisory Board of the Tung Wah Group of Hospitals and Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals. Dr. Lee served as a Standing Committee Member of the eighth and ninth National Committees of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to the Hong Kong & Macau

Biographical Information of Directors

Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Selection Committee for the First Government of the HKSAR. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Government of the HKSAR in 1999. Dr. Lee was awarded the highest honour of the Grand Bauhinia Medal in July 2006 by the Government of the HKSAR. In 2007, Dr. Lee has been honoured with the "Icebreaker Award" by The 48 Group Club as a recognition of his contribution to the promotion of Sino-UK trade relations. Dr. Lee has over 50 years of experience in business management.

Dr. Robin Chan Yau Hing, GBS, LL.D, JP, (independent non-executive Director) aged 76, has been a Director since June 1989 and has become an independent non-executive Director since 1998. A banker with over 40 years of experience, Dr. Chan holds different positions in publicly listed companies on the Main Board of the Stock Exchange in Hong Kong, including the Chairman of Asia Financial Holdings Limited (the holding company of Asia Insurance Company Limited) and the independent non-executive director of both Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited) and Keck Seng Investments (Hong Kong) Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. In addition, he is the Vice Chairman of All-China Federation of Returned Overseas Chinese, and the Ex-officio Life Honorary Chairman of The Chinese General Chamber of Commerce, Hong Kong. Dr. Chan had been a Deputy to the Chinese National People's Congress from March 1988 to February 2008.

Mr. Robert George Nield, (independent non-executive Director) aged 57, has been an independent non-executive Director and a member of the audit committee of the Company since September 2004. Mr. Nield has been a member of the remuneration committee of the Company since December 2005. He has no previous directorships in other public listed companies in the last 3 years. He is a Fellow of The

Institute of Chartered Accountants in England and Wales and has over 30 years of experience in professional auditing and accounting. Mr. Nield worked for PwC from 1980 (partner since 1985) to 2002. In addition to being an audit partner, he was from time to time in charge of PwC's Computer Audit, Continuing Education and Human Resources departments. He retired from PwC in June 2002. Mr. Nield is the President of the Hong Kong Branch of the Royal Asiatic Society and a Director of Opera Hong Kong Limited.

Dr. William Yip Shue Lam, LL.D., (independent non-executive Director) aged 71, joined the Group as independent non-executive Director, chairman of audit committee and a member of the remuneration committee of the Company in June 2008. He holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the Chairman of Canada Land Limited, a company listed on the Australian Stock Exchange and engaged in real estate development and tourist attraction business. Dr. Yip is also an independent non-executive director of GEG. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. He is also the Chairman of Cantravel Limited, Guangzhou. Dr. Yip has been active in public services and is presently a Standing Committee Member of The Chinese General Chamber of Commerce and the President of Concordia Hong Kong Foundation Limited. He is also serving on the Board of Governors of The Canadian Chamber of Commerce in Hong Kong. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

SENIOR MANAGEMENT

Assisted by head of departments, the executive Directors are under the direct responsibilities for the business and operations of the Group and the executive Directors are therefore regarded as the senior management of the Company.

Report of the Directors

The Directors present their report together with the 2008 Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Our principal subsidiaries, jointly controlled entities and associated companies are primarily engaged in property development and property investment in Hong Kong, Mainland China and Singapore, and their activities are set out in note 39 to the 2008 Financial Statements.

RESULTS AND APPROPRIATIONS

The 2008 Financial Statements on pages 50 to 96 of this annual report set out the results of the Group for the year ended 31 December 2008.

An interim cash dividend of HK\$0.01 per Share was paid during the year. The Board recommends the payment of a final cash dividend of HK\$0.01 per Share. Together with the interim cash dividend paid, the total dividends per Share for the year will amount to HK\$0.02 per Share (2007: HK\$0.305 per Share). Details of dividends are set out in note 15 to the 2008 Financial Statements.

SHARE CAPITAL

Note 29 to the 2008 Financial Statements contains details of the Company's share capital, and the increase in issued share capital of the Company during the year due to exercise of share options and exercise of convertible bonds.

CONVERTIBLE BONDS

Details of the 0.5% Guaranteed Convertible Bonds due 2009 and their conversion during the year are set out in note 32(c) to the 2008 Financial Statements. On 23 March 2009, the Company has redeemed the entire amount of the outstanding 0.5% Guaranteed Convertible Bonds of HK\$20 million at 91.49% of their principal amount.

DEALINGS IN LISTED SECURITIES

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 31 to the 2008 Financial Statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$169,000 (2007: HK\$113,713,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the 2008 Financial Statements.

SIGNIFICANT PROPERTIES

Details of the significant properties held by the Group as at 31 December 2008 for investment and development purposes are set out on page 15 of this annual report.

DIRECTORS

The Directors who served during the year and up to the date of this Report of the Directors were Dr. Che-woo Lui, Mr. Eddie Hui Ki On (resigned on 6 January 2009), Mr. Francis Lui Yiu Tung, Mr. Lennon Lun Tsan Kau (resigned on 16 June 2008), Ms. Paddy Tang Lui Wai Yu, Mr. Lam Kwong Yu (appointed on 28 May 2008), Sir David Akers-Jones, Mr. Michael Leung Man Kin, Dr. Philip Wong Kin Hang (retired on 27 May 2008), Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Dr. Charles Cheung Wai Bun (retired on 27 May 2008), Mr. Robert George Nield and Dr. William Yip Shue Lam (appointed on 20 June 2008).

Biographical details of the current Directors are set out on pages 38 to 40 of this annual report.

In accordance with Bye-law 109(A) of the Bye-laws, Dr. The Hon. Leo Lee Tung Hai and Sir David Akers-Jones will retire by rotation at the forthcoming 2009 annual general meeting of the Company ("2009 AGM"), and being eligible, will offer themselves for re-election. In accordance with Bye-law 100 of the Bye-laws, Mr. Lam Kwong Yu and Dr. William Yip Shue Lam will hold office until the forthcoming 2009 AGM, and being eligible, Dr. William Yip Shue Lam will offer himself for re-election. Mr. Lam Kwong Yu has indicated that he will not offer himself for re-election.

None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Report of the Directors

Subject to the approval of the Shareholders at the forthcoming 2009 AGM, the following fees in respect of the year ended 31 December 2008 will be paid to the Directors:

	Chairman HK\$	Member HK\$
Board	120,000	100,000
Audit Committee	100,000	80,000
Remuneration Committee	50,000	40,000

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Report of the Directors, no contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries, was a party and in which a Director has or had a material beneficial interest, whether directly or indirectly, subsisted as at 31 December 2008 or at any time during the year ended on that date.

DIRECTORS' INTERESTS IN SECURITIES

As of 31 December 2008, the interests and short positions of each Director in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part

XV of the SFO, and the details of any right to subscribe for Shares and of the exercise of such rights, as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(A) Ordinary Shares

Name of Directors	Number of Shares (including Underlying Shares)			Total	Approximate % of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests		
Che-woo Lui	7,613,534	7,256,345 ⁽¹⁾	1,403,868,115 ⁽²⁾	1,418,737,994	57.43
Francis Lui Yiu Tung	5,878,035	—	—	5,878,035	0.24
Paddy Tang Lui Wai Yu	10,080,371	—	—	10,080,371	0.41
Lam Kwong Yu	—	—	—	—	0.00
Sir David Akers-Jones	650,000	—	—	650,000	0.03
Michael Leung Man Kin	500,000	—	—	500,000	0.02
Leo Lee Tung Hai	1,050,000	—	—	1,050,000	0.04
Robin Chan Yau Hing	1,436,563	—	—	1,436,563	0.06
Robert George Nield	753,000	—	—	753,000	0.03
William Yip Shue Lam	—	—	—	—	0.00

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

Notes:

- (1) Dr. Che-woo Lui was deemed to be interested in 7,256,345 Shares through the interests of his spouse.

- (2) These 1,403,868,115 Shares represented the aggregate of (i) 35,696,109 Shares held by Best Chance Investments Ltd., (ii) 3,095,377 Shares held by Po Kay Securities & Shares Company Limited, (iii) 85,448,000 Shares held by Favor Right Investments Limited, (iv) 1,086,035,985 Shares held by Super Focus Company Limited, (v) 135,435,613 Shares held by Premium Capital Profits Limited, and (vi) 58,157,031 Shares held by Mark Liaison

Limited. All the aforesaid companies are ultimately beneficially owned and controlled by Dr. Che-woo Lui.

(B) Underlying Shares — Share Options

The personal interests of the Directors (except Mr. Lam Kwong Yu and Dr. William Yip Shue Lam) in the Shares as stated in the above table included their respective interests in the options granted under the share option scheme of the Company. Details are set out in the SHARE OPTION SCHEME section below.

All the interests as stated above represent long positions.

Dr. Che-woo Lui is deemed to be interested in the issued share capital of every subsidiary and jointly controlled entity of the Company.

Save as disclosed above, as of 31 December 2008, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2008, the interests of every person (not being a Director or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Number of Ordinary Shares (Long Position)	Approximate % of Issued Share Capital
Super Focus Company Limited	1,086,035,985 ⁽¹⁾	43.96
Penta Investment Advisers Limited	365,221,403 ⁽²⁾	14.78
Mr. John Zwaanstra	365,221,403 ⁽³⁾	14.78
UBS AG	229,124,700 ⁽⁴⁾	9.27
Star II Limited	193,592,644 ⁽¹⁾	7.84
Penta Asia Fund, Ltd.	145,798,221 ⁽⁵⁾	5.90
Mr. Todd Zwaanstra	145,798,221 ⁽⁶⁾	5.90
Mercurius GP LLC	145,798,221 ⁽⁷⁾	5.90

Notes:

- (1) Super Focus Company Limited and Star II Limited were beneficially interested in 1,086,035,985 Shares and 193,592,644 Shares respectively and both are solely owned and controlled by Dr. Che-woo Lui.
- (2) Penta Investment Advisers Limited ("Penta Investment"), a company which is 100% controlled by Mr. John Zwaanstra, was interested in 365,221,403 Shares in the capacity of investment manager.
- (3) By virtue of the SFO, Mr. John Zwaanstra was deemed to have interests in the 365,221,403 Shares referred to in note (2) through his 100% interest in Penta Investment. Mr. John Zwaanstra was also deemed to have interests in the 145,798,221 Shares in which Penta Asia Fund, Ltd. ("Penta Asia") and Mercurius GP LLC ("Mercurius GP") were interested through his control of more than one-third of the voting power of Penta Asia and Mercurius GP.
- (4) By virtue of the SFO, UBS AG was deemed to have interests in 31,036,000 Shares out of these 229,124,700 Shares by taking a security interest therein.
- (5) These 145,798,221 Shares were held by Penta Master Fund, Ltd. ("Penta Master"), a wholly-owned subsidiary of Penta Asia, and duplicate part of the interests of Penta Investment.
- (6) By virtue of the SFO, Mr. Todd Zwaanstra was deemed to have interests in the 145,798,221 Shares in which Penta Master was interested pursuant to his control of more than one-third of the voting power of Penta Asia as trustee of Mercurius Partners Trust, being a discretionary trust.
- (7) Mercurius GP was the founder of the Mercurius Partners Trust and was therefore deemed to have interests in the 145,798,221 Shares in which Mr. Todd Zwaanstra and Mercurius Partners Trust were interested.

Report of the Directors

There was duplication of interests of 365,221,403 Shares held by Penta Investment, in which Mr. John Zwaanstra was deemed to have interests. Of these 365,221,403 Shares, 145,798,221 Shares were also deemed to be interested in by: (a) Mr. Todd Zwaanstra through Penta Master (wholly-owned by Penta Asia in which Mr. Todd Zwaanstra controls more than one-third of the voting power) as trustee of the Mercurius

Partners Trust (a discretionary trust), and (b) Mercurius GP LLC as founder of the Mercurius Partners Trust.

Save as disclosed above, as of 31 December 2008, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

RULE 13.22 OF THE LISTING RULES

As of 31 December 2008, the Group had given financial assistance and guarantees to financial institutions for the benefits of its affiliated companies. In compliance with the requirement of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	399,291	164,763
Current assets	20,514,937	5,079,743
Current liabilities	(583,526)	(195,071)
	20,330,702	5,049,435
Share capital	766,774	318,207
Reserves	1,030,526	431,410
Amounts due to shareholders	9,577,150	2,190,933
Non-current liabilities	8,956,252	2,108,885
	20,330,702	5,049,435

SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") adopted by the Shareholders at the annual general meeting on 30 May 2002 is summarized below:

(1) Purpose

To attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.

(2) Participants

(i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or

- (ii) any consultant, agent, representative or adviser of the Company or any affiliate; or
- (iii) any person who provides goods or services to the Company or any affiliate; or
- (iv) any customer or contractor of the Company or any affiliate; or
- (v) any business ally or joint venture partner of the Company or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees; or
- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

“Affiliate” means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

(3) Total number of Shares available for issue

Mandate Limit — Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as of 30 May 2002, being 187,563,607 Shares.

Overriding Limit — The Company may by ordinary resolution of the Shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular to the Shareholders before such approval is sought. The overriding limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As of the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 102,608,197 Shares, which represented approximately 4.15% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue. However, subject to separate approval by the Shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting and provided that the Company shall

issue a circular to the Shareholders before such approval is sought, the Company may grant to a participant options which would exceed the aforesaid limit.

(5) Option period

The period during which an option may be exercised as determined by the Board in its absolute discretion at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it is vested

The minimum period, if any, for which an option must be held before it is vested shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of an option

HK\$1.00 is payable by the grantee to the Company on acceptance of an option offer. An offer must be accepted within 14 days from the date of offer (or such longer period as the Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of grant of the relevant option but shall not be less than the highest of:

- (i) the closing price of the Shares on the date of grant;
- (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(9) The remaining life of the Share Option Scheme

The life span of the Share Option Scheme is 10 years commencing from 30 May 2002 and will expire on 29 May 2012.

Report of the Directors

Particulars of the movement of the options held by each of the Directors and the employees of the Company and its affiliates in aggregate under the Share Option Scheme during the year ended 31 December 2008, were as follows:

Holders	Date of grant	Held at 1 January 2008	Number of options			Held at 31 December 2008	Exercise price per Share (HK\$)	Exercise period
			Granted during the year ^(a)	Exercised during the year	Lapsed during the year			
Che-woo Lui	21 Oct 2005	1,350,000	—	—	—	1,350,000	1.9060	22 Oct 2006 – 21 Oct 2011
	27 Nov 2007	1,055,000	—	—	—	1,055,000	4.6360	27 Nov 2008 – 26 Nov 2017
Francis Lui Yiu Tung	21 Oct 2005	1,340,000	—	—	—	1,340,000	1.9060	22 Oct 2006 – 21 Oct 2011
Paddy Tang Lui Wai Yu	21 Oct 2005	930,000	—	—	—	930,000	1.9060	22 Oct 2006 – 21 Oct 2011
	27 Nov 2007	940,000	—	—	—	940,000	4.6360	27 Nov 2008 – 26 Nov 2017
	24 Jan 2008	—	800,000	—	—	800,000	3.8820	27 Nov 2008 – 26 Nov 2017
Lam Kwong Yu	—	—	—	—	—	—	—	—
Sir David Akers-Jones	28 Feb 2003	150,000	—	—	—	150,000	0.7200	1 Mar 2004 – 28 Feb 2013
	27 Nov 2007	500,000	—	—	—	500,000	4.6360	27 Nov 2008 – 26 Nov 2017
Michael Leung Man Kin	27 Nov 2007	500,000	—	—	—	500,000	4.6360	27 Nov 2008 – 26 Nov 2017
Leo Lee Tung Hai	27 Nov 2007	500,000	—	—	—	500,000	4.6360	27 Nov 2008 – 26 Nov 2017
Robin Chan Yau Hing	21 Oct 2005	500,000	—	—	—	500,000	1.9060	22 Oct 2006 – 21 Oct 2011
	27 Nov 2007	500,000	—	—	—	500,000	4.6360	27 Nov 2008 – 26 Nov 2017
Robert George Nield	27 Nov 2007	500,000	—	—	—	500,000	4.6360	27 Nov 2008 – 26 Nov 2017
William Yip Shue Lam	—	—	—	—	—	—	—	—
Employees (in aggregate)	28 Feb 2003	49,000	—	—	—	49,000	0.7200	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	3,020,000 ^(b)	—	940,000 ^(c)	300,000	1,780,000	1.9060	22 Oct 2006 – 21 Oct 2011
	27 Nov 2007	10,857,000 ^(d)	—	—	2,491,000	8,366,000	4.6360	27 Nov 2008 – 26 Nov 2017
	24 Jan 2008	—	7,133,000 ^(e)	—	2,114,000	5,019,000	3.8820	27 Nov 2008 – 26 Nov 2017

Notes:

- (a) The closing price of the Shares immediately before the date on which the options were granted during the year was HK\$3.730.
- (b) 900,000 options were reclassified from “Directors” to “Employees” following the retirement of two Directors at the Company’s 2008 annual general meeting.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK\$3.317.
- (d) 1,843,000 options were reclassified from “Directors” to “Employees” following the resignation of two Directors and also the retirement of two Directors at the Company’s 2008 annual general meeting.

- (e) 1,600,000 options were reclassified from "Directors" to "Employees" following the resignation of two Directors.

The options granted were subject to an one-year vesting period. No option was cancelled during the year.

The fair value of the options granted during the year is set out in note 30 to the 2008 Financial Statements.

On 3 March 2009, the Board further granted 22,123,210 options (all at exercise price of HK\$0.9380 per Share) to Directors and eligible employees of the Company and its affiliates, of which 76,000 options have already lapsed.

Except for the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under 18 years of age to acquire Shares in or debentures of the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The Company and GEG are connected persons to each other. Continuing/recurring transactions with GEG are continuing connected transactions of the Company under the Listing Rules. In 2008, the Company entered into the following continuing connected transactions with GEG:

- The indirect subsidiaries of GEG continued to lease office units 1802, 1803 and 1804 on 18th Floor of Shanghai K. Wah Centre from the landlord, Jia Hui Da Real Estate Development Co. Ltd. Shanghai ("JHD") (an indirect 39.6% owned subsidiary of the Company), pursuant to three tenancy agreements entered into on 2 June 2005 (collectively, the "Tenancy Agreements"), details of which were already disclosed in the joint announcement of the Company and GEG dated 23 August 2005. These leases were for 3 years commencing from 1 June 2005 and had already expired on 31 May 2008. These continuing connected transactions were carried out during the year within the annual cap for 2008.

Each of the independent non-executive Directors has reviewed the continuing connected transactions conducted under the Tenancy Agreements and confirms that the relevant transactions were entered into:

- in the ordinary and usual course of business of the Company;
- on normal commercial terms; and
- in accordance with the Tenancy Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The external auditor of the Company, PwC, has confirmed to the Board that:

- the transactions have received the approval of the Board;
- the transactions have been entered into in accordance with the Tenancy Agreements governing the transactions; and
- the aggregate annual rental under the Tenancy Agreements amounted to HK\$839,590 for the year ended 31 December 2008 and is the same as the corresponding annual cap.

Upon the expiry of the Tenancy Agreements, another three new tenancy agreements were entered into between JHD and the indirect subsidiaries of GEG in respect of the office units 1803, 1804 and 1806 on 18th Floor of Shanghai K. Wah Centre. These three new tenancy agreements had constituted continuing connected transactions of the Company, but the aggregate annual rental had not exceeded 0.1% of each of the relevant percentage ratios and were therefore exempted from the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of the Directors

2. The guarantee by the Company dated 5 March 1997 in favour of the Government of the HKSAR in respect of Contract No. GE/96/10 for 17 years quarrying rights and rehabilitation of the quarry at Tai Sheung Tok, Anderson Road, Kowloon to KWP Quarry Co. Limited (a subsidiary of GEG) was subsisting as at year end. Details of this continuing connected transaction were already disclosed in the announcement of the Company dated 10 November 2006. The Company has also referred to this guarantee in its annual reports since 1997. No annual cap was involved.

PRE-EMPTIVE RIGHTS

There are no Shareholder's pre-emptive rights as a matter of Bermuda law, either under statute or at common law.

DIRECTORS' COMPETING BUSINESS INTERESTS

Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu (collectively, the "Relevant Directors") are interested in several independently managed companies, which are also engaged in property investment, trading, and development. The business of these companies ("Competing Business") may compete, directly or indirectly, with the business of the Group. The Relevant Directors are also directors of certain holding companies of the Competing Business.

Notwithstanding the interests of the Relevant Directors in the Competing Business disclosed above, the Group is able to carry on its business independent of, and at arm's length from, the Competing Business, given that the Company has a strong and independent Board with 6 out of 10 Directors being non-executive/independent non-executive Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal), prominent businessmen, or veteran high-ranking Hong Kong Government officials. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group's interests are adequately safeguarded.

Save as disclosed above, there is no other competing business interest between the Directors and his/her respective associates and the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has sufficient issued Shares in compliance with the prescribed public float under the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the 2008 Financial Statements and adjusted as appropriate, is shown on pages 4 to 5 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008:

- (1) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and
- (2) the aggregate amount of purchases (not including the purchases of items which were of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total of such purchases.

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 any interest in the five largest customers or suppliers (not including suppliers of items of a capital nature).

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

AUDITOR

The 2008 Financial Statements have been audited by PwC, who will retire and, being eligible, offer itself for re-appointment at the forthcoming 2009 AGM.

On behalf of the Board

Che-woo Lui
Chairman and Managing Director

Hong Kong, 7 April 2009

Report of the Independent Auditor



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

**TO THE SHAREHOLDERS OF
K. WAH INTERNATIONAL HOLDINGS LIMITED**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of K. Wah International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 96, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated profit and loss 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 April 2009

Consolidated Profit and Loss Statement

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenue	7	1,152,989	4,799,504
Cost of sales		(553,118)	(3,622,726)
Gross profit		599,871	1,176,778
Other operating income		39,252	54,093
Other net gains		11,957	134,093
Other operating expenses	8(a)	(31,184)	(136,226)
Administrative expenses		(221,688)	(148,411)
Change in fair value of investment properties		(62,298)	351,871
(Impairment loss)/gain on disposal of non-current investments		(667,053)	1,373,782
Finance costs	12	(130,694)	(110,751)
Share of profits of jointly controlled entities		54,902	155,478
Share of losses of associated companies		(63)	(6)
(Loss)/profit before taxation	8(b)	(406,998)	2,850,701
Taxation charge	13	(164,869)	(220,621)
(Loss)/profit for the year		(571,867)	2,630,080
Attributable to:			
Shareholders		(617,247)	2,451,142
Minority interests		45,380	178,938
		(571,867)	2,630,080
Dividends			
Interim paid		24,704	61,368
Proposed final		24,704	73,771
		49,408	135,139
Special interim paid		—	614,673
	15	49,408	749,812
		HK cents	HK cents
(Loss)/earnings per share	16		
Basic		(25.03)	100.27
Diluted		(24.81)	99.12

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	57,831	52,732
Investment properties	18	3,746,543	3,679,112
Leasehold land and land use rights	19	66,739	67,390
Jointly controlled entities	21	2,282,665	700,920
Associated companies	22	714,198	(4)
Non-current investments	23	172,233	1,191,008
Other non-current assets	24	4,858	7,099
		7,045,067	5,698,257
Current assets			
Development properties	25	5,682,099	4,800,680
Amounts due from jointly controlled entities	21	—	2,454,691
Amounts due from associated companies	22	—	652,790
Debtors and prepayments	26	939,375	328,228
Tax recoverable		5,756	2,762
Cash and bank balances	27	1,291,179	2,444,742
		7,918,409	10,683,893
Total assets		14,963,476	16,382,150
EQUITY			
Share capital	29	247,038	245,869
Reserves	31	7,458,661	8,256,702
Shareholders' funds		7,705,699	8,502,571
Minority interests		1,198,556	1,056,774
Total equity		8,904,255	9,559,345
LIABILITIES			
Non-current liabilities			
Borrowings	32	2,325,615	3,297,252
Deferred taxation liabilities	33	608,888	527,379
		2,934,503	3,824,631
Current liabilities			
Amounts due to jointly controlled entities	21	56,313	56,286
Creditors and accruals	28	562,862	883,928
Current portion of borrowings	32	2,418,072	1,282,246
Tax payable		87,471	161,041
Dividend payable		—	614,673
		3,124,718	2,998,174
Total liabilities		6,059,221	6,822,805
Total equity and liabilities		14,963,476	16,382,150
Net current assets		4,793,691	7,685,719

Che-woo Lui

Chairman and Managing Director

Paddy Tang Lui Wai Yu

Executive Director

Company Balance Sheet

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	20	259,561	259,561
Jointly controlled entities	21	438,568	438,568
		698,129	698,129
Current assets			
Amounts due from subsidiaries	20	2,858,703	3,937,448
Debtors and prepayments	26	435	290
Tax recoverable		1,435	1,435
Cash and bank balances	27	51,338	133,704
		2,911,911	4,072,877
Total assets		3,610,040	4,771,006
EQUITY			
Share capital	29	247,038	245,869
Reserves	31	3,242,131	3,282,139
Shareholders' funds		3,489,169	3,528,008
LIABILITIES			
Non-current liabilities			
Borrowings	32	—	187,000
Deferred taxation liabilities	33	17,955	1,885
		17,955	188,885
Current liabilities			
Creditors and accruals	28	2,916	2,440
Current portion of borrowings	32	100,000	437,000
Dividend payable		—	614,673
		102,916	1,054,113
Total liabilities		120,871	1,242,998
Total equity and liabilities		3,610,040	4,771,006
Net current assets		2,808,995	3,018,764

Che-woo Lui

Chairman and Managing Director

Paddy Tang Lui Wai Yu

Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities			
Cash used in operations	34(a)	(1,148,532)	(3,160,319)
Tax paid		(187,587)	(61,607)
Interest paid		(186,640)	(230,566)
Net cash used in operating activities		(1,522,759)	(3,452,492)
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,432)	(4,526)
Acquisition of jointly controlled entities		—	(5)
Acquisition of associated companies		—	(2)
Acquisition of additional interest in a subsidiary		—	(9,483)
Repayment of amounts due from jointly controlled entities		921,710	—
Loans to associated companies		(61,475)	—
Proceeds from disposal of property, plant and equipment		4	1,190
Proceeds from disposal of leasehold land and land use rights		—	763
Net proceeds from disposal of non-current investments		—	3,713,207
Disposal of a subsidiary	34(b)	50,004	—
Interest received		19,353	46,099
Dividends received from jointly controlled entities		44,452	67,073
Net cash from investing activities		964,616	3,814,316
Cash flows from financing activities			
Issue of new shares	34(c)	1,792	20,877
New long-term bank loans		762,171	1,496,094
Repayment of long-term borrowings		(753,016)	(764,592)
New short-term bank loans repayable after three months from date of advance		852,260	639,438
Repayment of short-term bank loans repayable after three months from date of advance		(800,723)	—
Capital contribution from a minority shareholder		5,260	—
Dividends paid to shareholders		(713,148)	(73,440)
Net cash (used in)/from financing activities		(645,404)	1,318,377
Net (decrease)/increase in cash and bank balances			
Cash and bank balances at beginning of year		2,444,742	741,060
Changes in exchange rates		49,984	23,481
Cash and bank balances at end of year		1,291,179	2,444,742

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31 December 2007	245,869	8,256,702	8,502,571	1,056,774	9,559,345
Exchange differences	—	235,417	235,417	71,278	306,695
Conversion of convertible bonds, net of tax	1,075	17,571	18,646	—	18,646
Issue of shares upon exercise of share options	94	1,698	1,792	—	1,792
Fair value of share options	—	14,717	14,717	—	14,717
Change in fair value of non-current investments	—	(351,722)	(351,722)	—	(351,722)
Capital contribution from a minority shareholder	—	—	—	25,124	25,124
(Loss)/profit for the year	—	(617,247)	(617,247)	45,380	(571,867)
2007 final dividend	—	(73,771)	(73,771)	—	(73,771)
2008 interim dividend	—	(24,704)	(24,704)	—	(24,704)
At 31 December 2008	247,038	7,458,661	7,705,699	1,198,556	8,904,255
At 31 December 2006	242,995	7,221,368	7,464,363	856,817	8,321,180
Exchange differences	—	189,173	189,173	71,710	260,883
Issue of shares upon exercise of share options	1,109	19,768	20,877	—	20,877
Shares issued as scrip dividends	1,765	(1,765)	—	—	—
Reserve arising on scrip dividends	—	48,796	48,796	—	48,796
Fair value of share options	—	11,780	11,780	—	11,780
Investment reserves realised	—	(1,072,982)	(1,072,982)	—	(1,072,982)
Change in fair value of non-current investments	—	126,331	126,331	—	126,331
Acquisition of additional interest in a subsidiary	—	—	—	(50,691)	(50,691)
Profit for the year	—	2,451,142	2,451,142	178,938	2,630,080
2006 final dividend	—	(60,868)	(60,868)	—	(60,868)
2007 interim dividend	—	(61,368)	(61,368)	—	(61,368)
2007 special interim dividend	—	(614,673)	(614,673)	—	(614,673)
At 31 December 2007	245,869	8,256,702	8,502,571	1,056,774	9,559,345

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements, which have been consistently applied to all the years presented, are set out below.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December and the share of post acquisition results and reserves of its jointly controlled entities and associated companies attributable to the Group.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the financial period are included in the consolidated profit and loss statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities and associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

3.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a direct or indirect shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the financial statements to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

3.3 Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated profit and loss statement. Purchases of equity interests from minority interests result in goodwill which is the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired. If the cost of acquisition is less than the relevant share of the carrying value of net assets acquired, the difference is recognised directly in the consolidated profit and loss statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the other venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for under the equity method of accounting and are initially recognised at cost. The investments in jointly controlled entities of the Group include goodwill identified on acquisition, net of any accumulated impairment. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies of the Group. See note 3.9 for the impairment of non-financial assets including goodwill.

The share of post-acquisition profits or losses of jointly controlled entities attributable to the Group is recognised in the consolidated profit and loss statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the interest in the jointly controlled entities held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the balance sheet of the Company, investments in jointly controlled entities are stated at cost less provision for impairment. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

3.5 Associated companies

An associated company is a company, in which an equity interest is held for the long-term and significant influence is exercised in its management, generally accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill identified on acquisition, net of any accumulated impairment. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies of the Group. See note 3.9 for the impairment of non-financial assets including goodwill.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the consolidated profit and loss statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the balance sheet of the Company, investments in associated companies are stated at cost less provision for impairment. The results of associated companies are accounted for by the Company on the basis of dividend income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and associated company attributable to the Group at the effective date of acquisition and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as 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.

Goodwill on acquisition of subsidiary is included in intangible assets while goodwill on acquisition of jointly controlled entity and associated company is included in investments in jointly controlled entities and associated companies. Goodwill is tested for impairment and carried at cost less accumulated impairment. Impairment on goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the consolidated profit and loss statement.

3.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced asset is derecognised. All other repairs and maintenance costs are expensed in the profit and loss statement during the financial period in which they are incurred.

Buildings on leasehold land and improvements are depreciated over their respective lease periods using the straight-line method. Depreciation of other property, plant and equipment is calculated to write off their costs to their estimated residual values using the straight-line method over their estimated useful lives as follows:

Plant and machinery	10 years
Other assets	3 to 10 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Gain or loss on disposal is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss statement.

3.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Changes in fair values are recognised in the profit and loss statement. The fair value of investment property reflects, among other things, rental from current leases and assumptions about rental from future leases in the light of current market conditions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Investment properties (cont'd)

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Property that is being constructed or developed for future use as investment property is classified as properties under development and carried at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment, this write-back is recognised in the profit and loss statement. This revaluation reserve shall remain and be transferred to revenue reserve upon disposal of this property.

3.9 Impairment of investments in subsidiaries, jointly controlled entities, associated companies and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3.10 Investments

The Group classifies its investments in the categories of financial assets at fair value through profit or loss (other investments), loans and receivables, and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) *Financial assets at fair value through profit or loss (other investments)*

Financial assets at fair value through profit or loss (other investments) are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss statement, and subsequently carried at fair value.

(b) *Loans and receivable*

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date and are classified as non-current assets. Loans and receivable are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Investments (cont'd)

(c) *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current investments unless management intends to dispose of the investment within twelve months of the balance sheet date.

Available-for-sale investments are initially recognised at fair value plus transaction cost and subsequently carried at fair value.

Regular way purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss statement in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary investments classified as available-for-sale are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from the investments. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted investments), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment on that investment previously recognised in the profit and loss statement is removed from equity and recognised in the profit and loss statement. Impairment recognised in the profit and loss statement on equity investments is not reversed through the profit and loss statement.

3.11 Development properties

Development properties are included under current assets and comprise leasehold land and land use rights at cost less amortisation, construction costs, an appropriate proportion of overhead expenditure and interest attributable to the development, less provisions for impairment. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the lease term. During the course of development or re-development of the property, the amortisation charge is included as part of the costs of the property under development. In all other cases, the amortisation charge is recognised in the profit and loss statement.

3.12 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the debtor is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the profit and loss statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the profit and loss statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement, less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

3.14 Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company re-purchases its ordinary shares, the consideration, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the shareholders and the shares are cancelled.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability including fees and commissions to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.16 Convertible bonds

(a) *Convertible bonds with equity component*

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to revenue reserve.

(b) *Convertible bonds without equity component*

All other convertible bonds which do not exhibit the characteristics mentioned in (a) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible note are allocated to the liability under the contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Convertible bonds (cont'd)

(b) *Convertible bonds without equity component (cont'd)*

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the profit and loss statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the note is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the profit and loss statement.

3.17 Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease except where the property is classified as an investment property or where there is impairment, the impairment is expensed in the profit and loss statement. The amortisation of leasehold land and land use rights is capitalised as part of the costs of the property when the leasehold land is under development.

3.19 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be payable to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Employee benefits

(a) *Employee entitlements, benefits and bonuses*

Contributions to publicly or privately administered defined contribution retirement or pension plans on a mandatory, contractual or voluntary basis are recognised as employee benefit expense in the financial period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(b) *Share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group.

The fair value of the employee services received in exchange for the grant of the options under the equity-settled, share-based compensation plan is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market service and performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the estimates of the number of options that are expected to vest based on the non-marketing vesting conditions are revised. The impact of the revision to original estimates, if any, is recognised in the profit and loss statement with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

3.22 Borrowing costs

Interest and related costs on borrowings directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties, goods and services in the ordinary course of the activities of the Group. Revenue is shown, net of value-added tax, business tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities of the Group have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Sales of properties*

Sales of properties are recognised when the risk and rewards of the property have been passed to the purchasers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as advanced proceeds on sale of properties under current liabilities.

(b) *Rental income*

Rental income net of any incentives given to the lessees is recognised over the periods of the respective leases on a straight-line basis.

(c) *Sales of goods*

Sales of goods are recognised when the goods are delivered and legal title is transferred to the purchasers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Revenue recognition (cont'd)

(d) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method, taking into account the outstanding principal amounts and the applicable interest rates.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

3.24 Foreign currencies

(a) *Functional and presentation currency*

Transactions included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the functional currency of the Company and presentation currency of the Group.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency 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 the exchange rates ruling at the balance sheet date are recognised in the profit and loss statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the profit and loss statement within 'other net gains'.

Translation differences on non-monetary financial assets held at fair value through profit or loss are recognised in the profit and loss statement as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale investments are included in the investment reserve in equity.

(c) *Group companies*

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the rates of exchange ruling at the date of that balance sheet;
- (ii) income and expenses for each profit and loss statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, such exchange differences that are recorded in the equity are recognised in the profit and loss statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange ruling at the balance sheet date.

3.25 Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the profit and loss statement. The Group regards its financial guarantees provided to its subsidiaries, jointly controlled entities and associated companies as insurance contracts.

3.26 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.27 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the financial period in which the dividend payable becomes legal and constructive obligations of the Company.

4 FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The global financial turmoil in late 2008 has brought adverse impact on the economic conditions. The property industry is highly sensitive to the economic environment in Hong Kong and Mainland China, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and renewal of bank borrowings to fund its operations.

Risk management is carried out by the management of the Group under the supervision of the Board of Directors. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group. The Board provides guidance for overall risk management.

4.1 Financial risk factor

4.1.1 Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, Mainland China, Singapore and Japan and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB").

Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the entities in the Group.

Except for HK\$ borrowings for entities in Mainland China, all the Group's borrowings are denominated in the functional currency of the entities to minimise the foreign currency risk.

The Group also monitors foreign currency risk and considers to enter into forward foreign exchange contracts to reduce exposure where necessary. The Group does not hedge any net investments in foreign operations.

At 31 December 2008, if Hong Kong dollar had weakened or strengthened by 3% (2007: 1%) against RMB, with all other variables held constant, loss before taxation for the year would have been lower or higher by approximately HK\$37 million (2007: profit before taxation would have been higher or lower by approximately HK\$6 million) mainly as a result of foreign exchange gains/losses arising from translation of borrowings and cash at banks.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank loans.

The interest rate risk arises from borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk.

With regard to cash flow interest rate risk of borrowings, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for long term. In case of funding requirement, other than bank borrowings, the Group may issue fixed-rate instruments, such as bonds, to avoid fluctuation of interest costs over the period of the instruments.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.1 Market risk (cont'd)

(ii) *Interest rate risk (cont'd)*

The Group has followed a policy of developing long-term banking facilities to match its long-term investments in Hong Kong and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

At 31 December 2008, if interest rates had been increased or decreased by 1% (2007: 1%) with all other variables held constant, the loss before taxation for the year would increase or decrease by approximately HK\$34 million (2007: profit before taxation would decrease or increase by approximately HK\$21 million) mainly as a result of higher or lower interest expenses.

(iii) *Price risk*

The Group is exposed to equity securities price risk through investments held by the Group classified as available-for-sale investments which are publicly traded.

At 31 December 2008, if the share price of the available-for-sale investments had been increased or decreased by 10% (2007: 10%) with all other variables held constant, the loss before taxation for the year would decrease or increase by approximately HK\$17 million (2007: equity would increase or decrease by approximately HK\$119 million).

4.1.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, bank deposits, amounts due from jointly controlled entities and associated companies.

The Group has policies in place to ensure that sales of properties, goods and services are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the debtors on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In respect of credit exposures to customers for sales of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sales transactions. With regard to credit exposure to customers for rental of properties, the Group also receives rental payments in advance with sufficient initial rental deposits to cover potential default in future rental payments. Amounts due from jointly controlled entities and associated companies are generally supported by the underlying assets and the Group monitors the credibility of jointly controlled entities and associated companies continuously.

At each balance sheet date, the Group reviews the recoverable amount of each debtor to ensure that adequate provision is made for irrecoverable amounts.

The credit risk on liquid funds is limited because 96% of the funds are placed in banks with high credit rankings, ranging from AA to BBB, and the remaining 4% in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank. Management does not expect any losses from non-performance of these banks.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.3. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. It prepares cash flow forecasts to assess funding needs on a regular basis and, if necessary, obtains financing to meet the funding requirement.

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby credit facilities are obtained from banks to provide contingent liquidity support. As at 31 December 2008, the Group's total undrawn facilities amounted to approximately HK\$2.4 billion (2007: HK\$3.8 billion).

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting the construction progress of development properties, implementing cost control measures and accelerating sales with more flexible pricing. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

The contractual maturity of the Group and the Company for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company is required to pay and include both interest and principal, is set out below.

Group

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2008					
Bank loans	2,506,084	444,245	1,979,774	—	4,930,103
Convertible bonds	18,348	—	—	—	18,348
Trade creditors	287,248	—	—	—	287,248
Other creditors	156,468	—	—	—	156,468
Amounts due to jointly controlled entities	56,313	—	—	—	56,313
Amounts due to minority shareholders	119,146	—	—	—	119,146
Total	3,143,607	444,245	1,979,774	—	5,567,626
At 31 December 2007					
Bank loans	1,490,427	1,653,722	1,949,000	—	5,093,149
Convertible bonds	200	36,641	—	—	36,841
Trade creditors	559,432	—	—	—	559,432
Other creditors	240,508	—	—	—	240,508
Amounts due to jointly controlled entities	56,286	—	—	—	56,286
Amounts due to minority shareholders	83,988	—	—	—	83,988
Total	2,430,841	1,690,363	1,949,000	—	6,070,204

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial risk factor (cont'd)

4.1.3. Liquidity risk (cont'd)

Company

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2008					
Bank loans	100,675	—	—	—	100,675
Other creditors	2,916	—	—	—	2,916
Total	103,591	—	—	—	103,591
At 31 December 2007					
Bank loans	459,008	191,825	—	—	650,833
Other creditors	2,440	—	—	—	2,440
Total	461,448	191,825	—	—	653,273

Note: Interest on borrowings is calculated on borrowings held as at 31 December 2008 and 2007. Floating-rate interest is estimated using the current interest rate as at 31 December 2008 and 2007 respectively.

4.2 Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of borrowings and equity.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net borrowings to total assets excluding cash and bank balances. Net borrowings is calculated as total borrowings, including current and non-current borrowings, less cash and bank balances.

The gearing ratio is calculated as follows:

	2008 HK\$'000	2007 HK\$'000
Total borrowings	4,743,687	4,579,498
Less: Cash and bank balances	1,291,179	2,444,742
Net borrowings	3,452,508	2,134,756
Total assets excluding cash and bank balances	13,672,297	13,937,408
Gearing ratio	25%	15%

The increase in the gearing ratio during the year resulted primarily from the costs incurred to develop properties in Mainland China which are yet to commence pre-sales.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 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 appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets that are not traded in an active market, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date.

The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, debtors, bank balances, creditors and current borrowings are assumed to approximate their fair values.

5 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. 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 are discussed below:

(a) Current and deferred taxation and land appreciation tax

Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such difference will impact the provision for current and deferred taxation in the financial period in which such determination is made.

The Group is subject to land appreciation tax in Mainland China. However, the actual implementation of this tax is uncertain amongst local tax authorities. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related tax provision. The Group recognises the land appreciation tax based on best estimates according to the understanding of the tax rules. The final taxation outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and provision for taxation in the financial period in which such determination is made.

Deferred taxation assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Fair value of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, the Group considers information from a variety of sources including:

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(b) Fair value of investment properties (cont'd)

- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The valuations are reviewed annually by external valuers.

(c) Provision for development properties

The Group assesses the carrying amounts of properties under development and completed properties for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(d) Impairment of non-financial assets

The Group tests at each balance sheet date whether goodwill or assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(e) Share-based payments

The fair value of option granted is estimated by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the options at the date of granting the options.

6 SEGMENT INFORMATION

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. In Japan, the Group carries on trading of plant and machinery. There are no other significant identifiable separate businesses. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, other non-current assets, properties, amounts due from jointly controlled entities and associated companies, debtors and prepayments and mainly exclude non-current investments, cash and bank balances and tax recoverable. Segment liabilities comprise mainly creditors and accruals and amounts due to jointly controlled entities. Unallocated liabilities included borrowings, current and deferred taxation liabilities. There are no sales or trading transactions between the business segments.

6 SEGMENT INFORMATION (cont'd)

(A) Business segments

	Properties HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2008				
Revenue	1,005,519	147,470	—	1,152,989
Segment results	242,507	4,071	(577,721)	(331,143)
Finance costs				(130,694)
Share of profits of jointly controlled entities	54,902	—	—	54,902
Share of losses of associated companies	(63)	—	—	(63)
Loss before taxation				(406,998)
Taxation charge				(164,869)
Loss for the year				(571,867)
Capital expenditure	(9,215)	(217)	—	(9,432)
Depreciation	(3,610)	(265)	—	(3,875)
Amortisation	(17,471)	—	—	(17,471)
Impairment loss of non-current investments	—	—	(667,053)	(667,053)
Change in fair value of investment properties	(62,298)	—	—	(62,298)
As at 31 December 2008				
Segment assets	10,475,000	19,085	1,472,528	11,966,613
Jointly controlled entities	2,282,665	—	—	2,282,665
Associated companies	714,198	—	—	714,198
Total assets				14,963,476
Total liabilities	597,891	17,979	5,443,351	6,059,221

6 SEGMENT INFORMATION (cont'd)

(A) Business segments (cont'd)

	Properties HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2007				
Revenue	4,595,884	203,620	—	4,799,504
Segment results	1,287,336	4,054	1,514,590	2,805,980
Finance costs				(110,751)
Share of profits of jointly controlled entities	155,478	—	—	155,478
Share of losses of associated companies	(6)	—	—	(6)
Profit before taxation				2,850,701
Taxation charge				(220,621)
Profit for the year				2,630,080
Capital expenditure	(3,956)	(570)	—	(4,526)
Depreciation	(3,169)	(233)	—	(3,402)
Amortisation	(9,989)	—	—	(9,989)
Gain on disposal of non-current investments	—	—	1,373,782	1,373,782
Change in fair value of investment properties	351,871	—	—	351,871
As at 31 December 2007				
Segment assets	12,029,614	12,282	3,639,338	15,681,234
Jointly controlled entities	700,920	—	—	700,920
Associated companies	(4)	—	—	(4)
Total assets				16,382,150
Total liabilities	923,939	10,926	5,887,940	6,822,805

(B) Geographical segments

	Revenue HK\$'000	Segment results HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Year ended 31 December 2008				
Hong Kong	688,652	(497,599)	7,808	4,390,414
Mainland China	276,167	126,286	1,345	10,273,152
Singapore	40,700	36,180	62	266,512
Japan	147,470	3,990	217	33,398
	1,152,989	(331,143)	9,432	14,963,476
Year ended 31 December 2007				
Hong Kong	2,712,077	2,119,588	1,102	8,039,272
Mainland China	1,869,707	622,541	2,835	8,069,370
Singapore	14,100	59,717	19	248,913
Japan	203,620	4,134	570	24,595
	4,799,504	2,805,980	4,526	16,382,150

7 REVENUE

	2008 HK\$'000	2007 HK\$'000
Sale of properties	743,674	4,383,262
Rental income	261,845	212,622
Sale of goods	147,470	203,620
	1,152,989	4,799,504

8 (LOSS)/PROFIT BEFORE TAXATION

- (a) Other operating expenses included donations of HK\$169,000 (2007: HK\$113,713,000) to charitable organisations.

	2008 HK\$'000	2007 HK\$'000
(b) (Loss)/profit before taxation is stated after crediting :		
Interest income from banks	18,342	24,913
Interest income from mortgage loans	1,011	863
Interest income from other loan	—	20,323
Excess of fair value of net assets acquired over cost of additional interest in a subsidiary	—	41,208
Gain on disposal of a subsidiary	3,985	—
Net exchange gains	72,050	94,552
and after charging :		
Cost of inventories sold	132,206	189,869
Cost of properties sold	319,724	3,183,204
Depreciation (net of amount capitalised under properties under development of HK\$1,674,000 (2007: HK\$2,104,000))	3,875	3,402
Amortisation for leasehold land and land use rights (net of amount capitalised under properties under development of HK\$13,760,000 (2007: HK\$34,818,000))	17,471	9,989
Provision for trade and other debtors	14,065	362
Impairment loss on land deposit	63,897	—
Employee benefit expenses (including Directors' remuneration) (note)	147,645	91,260
Donations	169	113,713
Auditors' remuneration		
Audit services		
Provision for the year	2,376	1,324
Underprovision for prior years	451	410
Non-audit services	831	540
Loss on disposal of property, plant and equipment	76	716
Loss on disposal of leasehold land and land use rights	—	951
Operating lease rental for land and buildings	2,580	2,392
Outgoings in respect of investment properties		
Direct operating expense of investment properties that generate rental income	4,637	3,746
Direct operating expense of investment properties that did not generate rental income	698	160

Note : Employee benefit expenses are stated after amount capitalised under properties under development of HK\$26,290,000 (2007: HK\$23,256,000).

9 EMPLOYEE BENEFIT EXPENSES

	2008 HK\$'000	2007 HK\$'000
Staff costs including directors' remuneration	151,855	98,666
Share options granted to directors and employees	14,717	11,780
Pension costs — defined contribution plans	7,363	4,070
	173,935	114,516

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance ("ORSO") and Mandatory Provident Fund ("MPF") Schemes Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance while contributions to the ORSO Scheme are based on a percentage ranging from 5% to 10% (depending upon the length of employment) of the basic salary of the employee, minus the mandatory contributions to the MPF Scheme. The contributions to the ORSO Scheme may be reduced by contributions forfeited in respect of those employees who leave the scheme prior to the full vesting of the contributions of the Group on the employee.

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to those plans at rates ranging from 20% to 22% of the basic salaries of the employees, depending upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

During the year forfeitures contribution of HK\$171,000 (2007: HK\$626,000) were utilised, leaving HK\$110,000 (2007: HK\$1,000) available at the balance sheet date to reduce future contributions.

10 DIRECTORS' REMUNERATION

Name	Directors' fee HK\$'000	Salaries,	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Share options (a) HK\$'000	2008	2007
		allowances and benefits in kind HK\$'000				Total HK\$'000	Total HK\$'000
Che-woo Lui	120	4,725	879	481	794	6,999	6,433
Francis Lui Yiu Tung	100	1,050	—	105	—	1,255	1,318
Eddie Hui Ki On	150	2,730	569	10	1,323	4,782	3,398
Paddy Tang Lui Wai Yu	100	2,000	366	176	1,722	4,364	3,075
Lennon Lun Tsan Kau (b)	100	1,251	515	85	—	1,951	3,304
Albert Lam Kwong Yu (c)	—	1,279	—	—	—	1,279	—
Sir David Akers-Jones	100	—	—	—	377	477	457
Michael Leung Man Kin	180	—	—	—	377	557	537
Philip Wong Kin Hang (b)	100	—	—	—	—	100	457
Leo Lee Tung Hai	100	—	—	—	377	477	457
Robin Chan Yau Hing	100	—	—	—	377	477	457
Charles Cheung Wai Bun (b)	240	—	—	—	—	240	597
Robert George Nield	220	—	—	—	377	597	577
William Lo Chi Chung (b)	—	—	—	—	—	—	80
William Yip Shue Lam (c)	—	—	—	—	—	—	—
	1,610	13,035	2,329	857	5,724	23,555	21,147

- (a) The value of the share options granted to the Directors under the share option scheme of the Company represented the fair value of those options charged to the profit and loss statement for the year in accordance with the accounting policies of the Group.
- (b) Resigned/ retired.
- (c) Newly appointed.

11 FIVE HIGHEST PAY INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2007: four) Directors whose emoluments are reflected in note 10 above. The emoluments of the remaining two (2007: one) individuals are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other emoluments	5,540	2,495
Pension cost — defined contribution plans	510	12
Discretionary bonuses	402	—
Share options	1,749	215
	8,201	2,722

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2008	2007
HK\$2,500,001–HK\$3,000,000	—	1
HK\$3,000,001–HK\$3,500,000	1	—
HK\$5,000,001–HK\$5,500,000	1	—
	2	1

12 FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest expense		
Bank loans, overdrafts and others, wholly repayable within five years	186,461	230,365
Finance cost of convertible bonds, wholly repayable within five years	1,489	1,863
Capitalised as cost of properties under development	(57,256)	(121,477)
	130,694	110,751

The capitalisation rates applied to funds borrowed generally and used for the development of properties are between 3% and 5% per annum (2007: 5% to 6% per annum).

13 TAXATION CHARGE

	2008 HK\$'000	2007 HK\$'000
Current		
Hong Kong profits tax	42,073	53,034
Overseas	62,364	197,407
Deferred (note 33)	60,432	(29,820)
	164,869	220,621

13 TAXATION CHARGE (cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. For the year of assessment 2008/09 with effect from 1 April 2008, the Hong Kong profits tax rate was changed from 17.5% to 16.5%.

Taxation assessable on profits generated overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

With effect from 1 January 2008, the corporate income tax rate for the Group's subsidiaries in Mainland China is reduced from 33% to 25% upon coming into effect of the new Corporate Income Tax Law in Mainland China approved by the National People's Congress on 16 March 2007.

Dividends to be paid out from earnings of Mainland China incorporated enterprises arising on or after 1 January 2008 in Mainland China to overseas investors are subject to a withholding tax of 5% or 10%, depending on the tax jurisdiction of the holding company and deferred taxation is provided for in this respect.

Land appreciation tax in Mainland China 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 expenditures including lease charges of land use rights and all property development expenditures, which is included in the profit and loss statement as taxation charge.

The taxation charge on the (loss)/profit before taxation differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit before taxation	(406,998)	2,850,701
Share of profits of jointly controlled entities	(54,902)	(155,478)
Share of losses of associated companies	63	6
	(461,837)	2,695,229
Tax calculated at applicable tax rate	(73,075)	578,571
Income not subject to taxation	(3,259)	(246,015)
Expenses not deductible for taxation purposes	145,667	17,222
Utilisation of previously unrecognised tax losses	(4,429)	(8,091)
Tax loss not recognised	33,568	13,590
Withholding tax	61,040	—
Change in tax rate	30	(139,960)
Under provision in previous years	5,327	5,304
Taxation charge	164,869	220,621

14 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$24,481,000 (2007: HK\$1,032,039,000).

15 DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Interim cash dividend of 1 HK cent (2007: 2.5 HK cents) per share	24,704	61,368
Proposed final cash dividend of 1 HK cent (2007: 3 HK cents) per share (a)	24,704	73,771
	49,408	135,139
Special interim cash dividend of 25 HK cents per share (b)	—	614,673
	49,408	749,812
The dividends have been settled by cash as follows :		
Interim	24,704	676,041
Final	—	73,771
	24,704	749,812

- (a) The Board of Directors recommended a final cash dividend in respect of 2008 of 1 HK cent (2007: 3 HK cents) per share. This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31 December 2009.
- (b) On 18 December 2007, the Board of Directors declared a special interim cash dividend of HK\$0.25 per share. The special interim dividend was paid in cash on 25 January 2008.

16 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share for the year is based on the following:

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit attributable to shareholders	(617,247)	2,451,142
Effect of dilutive potential shares		
Interest on convertible bonds, net of tax	1,244	1,536
(Loss)/profit for calculation of diluted (loss)/earnings per share	(616,003)	2,452,678

	Number of shares	
	2008	2007
Weighted average number of shares for calculating basic (loss)/earnings per share	2,465,575,000	2,444,603,000
Effect of dilutive potential shares		
Convertible bonds	15,233,000	21,277,000
Share options	2,207,000	8,628,000
Weighted average number of shares for calculating diluted (loss)/earnings per share	2,483,015,000	2,474,508,000

17 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost				
At 31 December 2006	55,795	2,600	25,642	84,037
Exchange differences	1,047	178	748	1,973
Additions	—	—	4,526	4,526
Disposals	(2,489)	—	(1,826)	(4,315)
At 31 December 2007	54,353	2,778	29,090	86,221
Exchange differences	815	170	979	1,964
Additions	—	—	9,432	9,432
Disposals	—	—	(457)	(457)
At 31 December 2008	55,168	2,948	39,044	97,160
Accumulated depreciation				
At 31 December 2006	11,675	234	17,831	29,740
Exchange differences	100	25	527	652
Charge for the year	1,158	241	4,107	5,506
Disposals	(775)	—	(1,634)	(2,409)
At 31 December 2007	12,158	500	20,831	33,489
Exchange differences	41	33	594	668
Charge for the year	1,159	263	4,127	5,549
Disposals	—	—	(377)	(377)
At 31 December 2008	13,358	796	25,175	39,329
Net book value				
At 31 December 2008	41,810	2,152	13,869	57,831
At 31 December 2007	42,195	2,278	8,259	52,732

Buildings with carrying values of HK\$41,810,000 (2007: HK\$42,195,000) were pledged to secure the banking facilities of the Group. Other assets comprise cruiser, furniture and equipment, leasehold improvements and motor vehicles.

18 INVESTMENT PROPERTIES

Group

	2008 HK\$'000	2007 HK\$'000
At beginning of year	3,679,112	3,367,669
Exchange differences	185,953	203,809
Disposal	(56,224)	—
Transfer from development properties	—	65,763
Transfer to development properties	—	(310,000)
Change in fair value	(62,298)	351,871
At end of year	3,746,543	3,679,112

- (a) Investment properties held under medium-term leases in Mainland China and Hong Kong amounting to HK\$3,161,705,000 (2007: HK\$3,059,964,000) and HK\$265,800,000 (2007: HK\$312,000,000) respectively, were valued at 31 December 2008 on an open market value basis by Savills Valuation and Professional Services Limited, independent professional valuers. Investment properties held under long-term leases in Hong Kong amounting to HK\$148,000,000 (2007: HK\$150,000,000) were valued at 31 December 2008 on an open market value basis by Savills Valuation and Professional Services Limited, independent professional valuers. Investment properties held under long-term leases in Singapore amounting to HK\$171,038,000 (2007: HK\$157,148,000) were valued at 31 December 2008 on an open market value basis by Chesterton International Property Consultants Pte Ltd., independent professional valuers.
- (b) Investment properties with carrying values of HK\$3,332,743,000 (2007: HK\$3,163,693,000) were pledged to secure the banking facilities of the Group.
- (c) The Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

19 LEASEHOLD LAND AND LAND USE RIGHTS

Group

	2008 HK\$'000	2007 HK\$'000
At beginning of year	67,390	69,780
Exchange differences	57	60
Disposal	—	(1,714)
Amortisation	(708)	(736)
At end of year	66,739	67,390
Long-term lease in Hong Kong	65,778	66,461
Medium-term lease in Mainland China	961	929
	66,739	67,390

The interests in leasehold land and land use rights represent prepaid operating lease payments. Leasehold land and land use rights with carrying values of HK\$66,739,000 (2007: HK\$67,390,000) were pledged to secure the banking facilities of the Group.

20 SUBSIDIARIES

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	259,561	259,561

Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Details of subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are given in note 39(a).

21 JOINTLY CONTROLLED ENTITIES

Group

	2008 HK\$'000	2007 HK\$'000
Share of net assets	749,684	700,920
Loan receivables	1,532,981	—
	2,282,665	700,920

The share of the aggregate amounts of the assets, liabilities and results of the jointly controlled entities, all of which are unlisted, attributable to the Group is as follows:

	2008 HK\$'000	2007 HK\$'000
Assets	3,872,898	4,136,998
Liabilities	(3,123,214)	(3,436,078)
Net assets	749,684	700,920
Revenue	566,976	411,707
Profit after taxation	54,902	155,478

21 JOINTLY CONTROLLED ENTITIES (cont'd)

Company

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	438,568	438,568

In 2008, the amounts due from jointly controlled entities represent equity funding by the Group to the respective jointly controlled entities and are measured in accordance with the Group's accounting policy for investments in jointly controlled entities. As at 31 December 2007, the amounts due from jointly controlled entities were receivable in nature and were unsecured, non-interest bearing and had no fixed terms of repayment.

The amounts due to jointly controlled entities are unsecured, non-interest bearing and have no fixed terms of repayment.

Details of jointly controlled entities of the Group are given in note 39 (b). The jointly controlled entities do not have any material contingent liabilities as at 31 December 2008.

22 ASSOCIATED COMPANIES

Group

	2008 HK\$'000	2007 HK\$'000
Share of net liabilities	(67)	(4)
Loan receivables	714,265	—
	714,198	(4)

The share of the aggregate amounts of the assets, liabilities and results of the associated companies, all of which are unlisted, attributable to the Group is as follows:

	2008 HK\$'000	2007 HK\$'000
Assets	1,371,608	1,293,686
Liabilities	(1,371,675)	(1,293,690)
Net liabilities	(67)	(4)
Revenue	—	—
Loss after taxation	(63)	(6)

In 2008, the amounts due from associated companies represent equity funding by the Group to the respective associated companies and are measured in accordance with the Group's accounting policy for investments in associated companies. As at 31 December 2007, the amounts due from associated companies were receivable in nature and were unsecured, non-interest bearing and had no fixed terms of repayment.

Details of associated companies of the Group are given in note 39 (c). The associated companies do not have any material contingent liabilities as at 31 December 2008.

23 NON-CURRENT INVESTMENTS**Group**

	2008 HK\$'000	2007 HK\$'000
Listed equity securities, at fair value	172,233	1,191,008

The listed securities represent the Group's 4.1% (2007: 4.1%) equity interest in Galaxy Entertainment Group Limited ("GEG"), which is incorporated and listed in Hong Kong. The principal activities of GEG are gaming, sale, manufacture and distribution of construction materials.

24 OTHER NON-CURRENT ASSETS**Group**

	2008 HK\$'000	2007 HK\$'000
Mortgage loans, net of provision	4,858	7,099

Mortgage loans are advances to purchasers of development properties of the Group and are secured by second mortgages on the related properties. The current portion of the loans is included under other debtors. The Group has recognised an impairment of HK\$1,342,000 (2007: HK\$362,000) for its mortgage loans during the year and included in other operating expenses in the profit and loss statement.

25 DEVELOPMENT PROPERTIES**Group**

	Completed HK\$'000	Under development HK\$'000	2008 HK\$'000	2007 HK\$'000
Leasehold land and land use rights	374,060	1,486,793	1,860,853	1,971,350
Development costs	490,569	3,330,677	3,821,246	2,829,330
	864,629	4,817,470	5,682,099	4,800,680

Development properties with carrying values of HK\$2,967,547,000 (2007: HK\$2,345,068,000) were pledged to secure the banking facilities of the Group.

The leasehold land and land use rights represent prepaid operating lease payments and under the following terms:

	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	2008 HK\$'000	2007 HK\$'000
Long-term lease	345,822	1,130,681	31,725	1,508,228	1,476,799
Medium-term lease	352,625	—	—	352,625	494,551
	698,447	1,130,681	31,725	1,860,853	1,971,350

26 DEBTORS AND PREPAYMENTS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade debtors, net of provision	12,693	125,175	—	—
Other debtors, net of provision	40,643	79,469	—	—
Land deposits, net of impairment	860,709	42,150	—	—
Prepayments and deposits	25,330	81,434	435	290
	939,375	328,228	435	290

Debtors and prepayments are denominated in the following currencies:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	20,031	126,054	435	290
RMB	900,693	190,318	—	—
Japanese Yen	18,391	11,651	—	—
Singapore dollar	260	205	—	—
	939,375	328,228	435	290

Trade debtors mainly comprise receivable for sales of goods and rental. Rental from tenants is due and payable in advance. The terms for sales of goods vary and are determined with reference to the prevailing marketing conditions.

The aging analysis of the trade debtors of the Group based on the dates of invoices and net of provision for bad and doubtful debts is as follows:

	2008 HK\$'000	2007 HK\$'000
Within one month	10,757	123,689
Two to three months	1,816	1,179
Four to six months	120	249
Over six months	—	58
	12,693	125,175

The Group has made provision for impairment of HK\$14,065,000 (2007: HK\$362,000) for its trade and other debtors during the year and included in other operating expenses in the profit and loss statement. As at 31 December 2008, trade and other debtors of HK\$16,159,000 (2007: HK\$2,094,000) were impaired and full provision has been made. Movements on the provision are as follows:

	2008 HK\$'000	2007 HK\$'000
At beginning of year	2,094	3,654
Provision	14,065	362
Written off as uncollectible	—	(1,922)
At end of year	16,159	2,094

As at 31 December 2008, land deposits are stated net of impairment loss of HK\$63,897,000 (2007: HK\$ nil).

The carrying amounts of the debtors and prepayments approximate to their fair value based on prevailing market interest rate. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

27 CASH AND BANK BALANCES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	956,301	1,376,505	756	1,704
Short-term bank deposits	334,878	1,068,237	50,582	132,000
	1,291,179	2,444,742	51,338	133,704

The cash and bank balances include HK\$256,563,000 (2007: HK\$426,079,000) which have been pledged or assigned for specific purposes under certain conditions.

The cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	350,042	1,631,930	51,338	133,704
RMB	904,950	328,478	—	—
United States dollar	3,993	468,434	—	—
Others	32,194	15,900	—	—
	1,291,179	2,444,742	51,338	133,704

The credit quality of cash and bank balances by reference to Standard & Poor's credit ratings is as follows:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Credit Rating:				
AA to AA-	176,554	1,238,749	556	32,000
A-	1,035,588	516,890	50,582	—
BBB+ to BBB	29,196	62,823	144	—
Others	49,841	626,280	56	101,704
	1,291,179	2,444,742	51,338	133,704

28 CREDITORS AND ACCRUALS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade creditors	287,248	559,432	—	—
Other creditors	19,183	38,670	2,916	1,738
Amounts due to minority shareholders	119,146	83,988	—	—
Accrued operating expenses	32,379	63,718	—	702
Advanced proceeds on sale of properties	22,129	66,988	—	—
Deposits received	82,777	71,132	—	—
	562,862	883,928	2,916	2,440

Balances with minority shareholders are unsecured, non-interest bearing and have no fixed terms of repayments.

28 CREDITORS AND ACCRUALS (cont'd)

The creditors and accruals are denominated in the following currencies:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	155,149	437,139	2,916	2,440
RMB	384,213	430,717	—	—
Japanese Yen	17,978	10,926	—	—
Singapore dollar	5,522	5,146	—	—
	562,862	883,928	2,916	2,440

The carrying amounts of the creditors and accruals approximate to their fair value based on prevailing market interest rate.

The aging analysis of the trade creditors of the Group based on the dates of the invoices is as follows :

	2008 HK\$'000	2007 HK\$'000
Within one month	285,936	506,973
Two to three months	1,295	2,474
Four to six months	—	174
Over six months	17	49,811
	287,248	559,432

29 SHARE CAPITAL

	2008		2007	
	Shares of HK\$0.10 each	HK\$'000	Shares of HK\$0.10 each	HK\$'000
Authorised:				
At beginning and end of year	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:				
At beginning of year	2,458,690,508	245,869	2,429,947,502	242,995
Share options exercised (a)	940,000	94	11,092,000	1,109
Conversion of convertible bonds (b)	10,752,688	1,075	—	—
Issued as scrip dividends	—	—	17,651,006	1,765
At end of year	2,470,383,196	247,038	2,458,690,508	245,869

- (a) During the year, share options to subscribe for 940,000 (2007: 11,092,000) shares were exercised, of which HK\$94,000 (2007: HK\$1,109,000) was credited to share capital and HK\$1,914,000 (2007: HK\$22,268,000) to the share premium account and HK\$216,000 (2007: HK\$2,500,000) was debited to share option reserve.
- (b) During the year, convertible bonds with face value of HK\$20,000,000 were converted into 10,752,688 ordinary shares of the Company, of which HK\$1,075,000 was credited to share capital and the balance to the share premium account.

30 SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for shares in the Company may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. Options are exercisable at a price equal to the average closing prices of the shares for the five business days immediately preceding the date of grant. Consideration to be paid on each grant of option is HK\$1.00. The vesting period is one year. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than ten years from the date of grant of the option.

Movements in the number of share options outstanding and their related weighted average exercise prices during the year are as follows:

	2008		2007	
	Average exercise price HK\$	Number of share options	Average exercise price HK\$	Number of share options
At beginning of year	3.7426	22,691,000	1.8643	18,614,000
Granted	3.8820	7,933,000	4.6360	15,635,000
Exercised	1.9060	(940,000)	1.8822	(11,092,000)
Lapsed	4.1441	(4,905,000)	2.9709	(466,000)
At end of year	3.7775	24,779,000	3.7426	22,691,000
Vested at end of year	3.7775	24,779,000	1.8738	7,339,000

The weighted average share price at the date of exercise for share options exercised during the year was HK\$3.317 (2007: HK\$3.473).

The options outstanding at 31 December 2008 have exercise prices ranging from HK\$0.72 to HK\$4.636 (2007: HK\$0.72 to HK\$4.636) with weighted average remaining contractual life of 7.43 years (2007: 7.96 years).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		2008	2007
Directors			
1 March 2004 to 28 February 2013	0.720	150,000	150,000
22 October 2006 to 21 October 2011	1.906	4,120,000	5,020,000
27 November 2008 to 26 November 2017	4.636	4,905,000	6,338,000
27 November 2008 to 26 November 2017	3.882	1,600,000	—
Employees and others			
1 March 2004 to 28 February 2013	0.720	49,000	49,000
22 October 2006 to 21 October 2011	1.906	1,780,000	2,120,000
27 November 2008 to 26 November 2017	4.636	7,956,000	9,014,000
27 November 2008 to 26 November 2017	3.882	4,219,000	—
		24,779,000	22,691,000

The fair value of options granted during the year, as determined by using the Black-Scholes valuation model, was HK\$10.1 million (2007: HK\$23.6 million). The significant inputs into the model were share price of HK\$3.84 (2007: HK\$4.47) at the valuation date, exercise price at the date of granting the options, expected volatility of 46% (2007: 46%), expected life of options of 5.35 years (2007: 5.5 years), expected dividend paid out rate of 3% (2007: 3%) and annual risk-free interest rate of 2.08% (2007: 2.87%). The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over the past 5.35 years (2007: 5.5 years).

31 RESERVES

(a) Group

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Convertible bonds reserve HK\$'000	Investment reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31 December 2007	1,658,740	13,422	99,089	13	482	8,888	351,722	314,847	5,809,499	8,256,702
Exchange differences	—	—	—	—	—	—	—	235,417	—	235,417
Conversion of convertible bonds, net of tax	21,961	—	—	—	—	(4,390)	—	—	—	17,571
Exercise of share options	1,914	(216)	—	—	—	—	—	—	—	1,698
Fair value of share options	—	14,717	—	—	—	—	—	—	—	14,717
Change in fair value of non- current investments	—	—	—	—	—	—	(351,722)	—	—	(351,722)
Loss for the year	—	—	—	—	—	—	—	—	(617,247)	(617,247)
2007 final dividend	—	—	—	—	—	—	—	—	(73,771)	(73,771)
2008 interim dividend	—	—	—	—	—	—	—	—	(24,704)	(24,704)
At 31 December 2008	1,682,615	27,923	99,089	13	482	4,498	—	550,264	5,093,777	7,458,661
Retained by:										
Company and subsidiaries	1,682,615	27,923	99,089	13	482	4,498	—	446,424	4,786,317	7,047,361
Jointly controlled entities	—	—	—	—	—	—	—	103,840	307,529	411,369
Associated companies	—	—	—	—	—	—	—	—	(69)	(69)
	1,682,615	27,923	99,089	13	482	4,498	—	550,264	5,093,777	7,458,661
At 31 December 2006	1,638,237	4,142	99,089	13	482	8,888	1,298,373	125,674	4,046,470	7,221,368
Exchange differences	—	—	—	—	—	—	—	189,173	—	189,173
Exercise of share options	22,268	(2,500)	—	—	—	—	—	—	—	19,768
Shares issued as scrip dividends	(1,765)	—	—	—	—	—	—	—	—	(1,765)
Reserve arising on scrip dividends	—	—	—	—	—	—	—	—	48,796	48,796
Fair value of share options	—	11,780	—	—	—	—	—	—	—	11,780
Investment reserves realised	—	—	—	—	—	—	(1,072,982)	—	—	(1,072,982)
Change in fair value of non-current investments	—	—	—	—	—	—	126,331	—	—	126,331
Profit for the year	—	—	—	—	—	—	—	—	2,451,142	2,451,142
2006 final dividend	—	—	—	—	—	—	—	—	(60,868)	(60,868)
2007 interim dividend	—	—	—	—	—	—	—	—	(61,368)	(61,368)
2007 special interim dividend	—	—	—	—	—	—	—	—	(614,673)	(614,673)
At 31 December 2007	1,658,740	13,422	99,089	13	482	8,888	351,722	314,847	5,809,499	8,256,702
Retained by:										
Company and subsidiaries	1,658,740	13,422	99,089	13	482	8,888	351,722	249,321	5,556,878	7,938,555
Jointly controlled entities	—	—	—	—	—	—	—	65,526	252,627	318,153
Associated companies	—	—	—	—	—	—	—	—	(6)	(6)
	1,658,740	13,422	99,089	13	482	8,888	351,722	314,847	5,809,499	8,256,702

31 RESERVES (cont'd)

(b) Company

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Convertible bonds reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31 December 2007	1,658,740	13,422	213,560	13	8,888	1,387,516	3,282,139
Conversion of convertible bonds, net of tax	21,961	—	—	—	(4,390)	—	17,571
Exercise of share options	1,914	(216)	—	—	—	—	1,698
Fair value of share options	—	14,717	—	—	—	—	14,717
Profit for the year	—	—	—	—	—	24,481	24,481
2007 final dividend	—	—	—	—	—	(73,771)	(73,771)
2008 interim dividend	—	—	—	—	—	(24,704)	(24,704)
At 31 December 2008	1,682,615	27,923	213,560	13	4,498	1,313,522	3,242,131
At 31 December 2006	1,638,237	4,142	213,560	13	8,888	1,043,590	2,908,430
Exercise of share options	22,268	(2,500)	—	—	—	—	19,768
Shares issued as scrip dividends	(1,765)	—	—	—	—	—	(1,765)
Reserve arising on scrip dividends	—	—	—	—	—	48,796	48,796
Fair value of share options	—	11,780	—	—	—	—	11,780
Profit for the year	—	—	—	—	—	1,032,039	1,032,039
2006 final dividend	—	—	—	—	—	(60,868)	(60,868)
2007 interim dividend	—	—	—	—	—	(61,368)	(61,368)
2007 special interim dividend	—	—	—	—	—	(614,673)	(614,673)
At 31 December 2007	1,658,740	13,422	213,560	13	8,888	1,387,516	3,282,139

The distributable reserves of the Company at 31 December 2008, under the Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,527,082,000 (2007: HK\$1,601,076,000).

32 BORROWINGS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Long-term bank loans (a)				
Secured	1,971,568	1,885,244	—	—
Unsecured	1,983,476	1,969,950	100,000	316,000
Convertible bonds (c)	3,955,044	3,855,194	100,000	316,000
	18,096	34,435	—	—
Short-term bank loans (a)	3,973,140	3,889,629	100,000	316,000
Unsecured	770,547	689,869	—	308,000
Current portion included in current liabilities	4,743,687	4,579,498	100,000	624,000
	(2,418,072)	(1,282,246)	(100,000)	(437,000)
	2,325,615	3,297,252	—	187,000

32 BORROWINGS (cont'd)

The long-term bank loans are repayable within the following periods :

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within one year	1,629,429	592,377	100,000	129,000
Between one to two years	388,568	1,506,777	—	187,000
Between two to five years	1,937,047	1,756,040	—	—
	3,955,044	3,855,194	100,000	316,000

- (a) The carrying amounts of the long-term and short-term bank loans approximate to their fair value based on prevailing market interest rate. The effective interest rate is approximately 3.9% (2007: 5.2%).
- (b) The borrowings are denominated in the following currencies:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong dollar	3,294,456	3,712,387	100,000	624,000
RMB	1,269,815	674,805	—	—
Others	179,416	192,306	—	—
	4,743,687	4,579,498	100,000	624,000

- (c) In March 2004, the Group issued an aggregate amount of HK\$864,260,000 0.5% guaranteed convertible bonds due in March 2009. The bonds are listed on the Luxembourg Stock Exchange and are convertible into shares of the Company on or after 23 April 2004 up to their maturity by 8 March 2009. The initial conversion price was HK\$2.25 per share, which was adjusted to HK\$1.88 per share in November 2005 and further to HK\$1.86 per share in January 2008 due to the payment of the special interim dividends. The bonds are redeemable at 91.49% of their principal amount on its maturity by 23 March 2009 according to relevant terms and conditions of the bonds.

During the year, convertible bonds with face value of HK\$20,000,000 were converted into 10,752,688 ordinary shares of the Company and the remaining face value of convertible bonds amounted to HK\$20,000,000 (2007: HK\$40,000,000) were carried at amortised cost.

The fair value of the liability component of the convertible bonds at 31 December 2008 amounted to HK\$18 million (2007: HK\$34 million). The fair value is calculated using the cash flows discounted at a rate based on the borrowing rate of 3.1% (2007: 5.6%). Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 5.5% to the liability component.

33 DEFERRED TAXATION LIABILITIES

Group

	Tax losses HK\$'000	Other provisions HK\$'000	Deferred taxation assets HK\$'000	Accelerated depreciation allowance HK\$'000	Fair value gains HK\$'000	Convertible bonds HK\$'000	Others HK\$'000	Deferred taxation liabilities HK\$'000	Total HK\$'000
At 31 December 2006	(20,977)	(2,079)	(23,056)	29,128	441,887	1,885	74,241	547,141	524,085
Exchange differences (Credited)/charged to profit and loss statement	—	(46)	(46)	2,214	26,989	—	3,957	33,160	33,114
	20,977	1,597	22,574	7,900	(39,862)	—	(20,432)	(52,394)	(29,820)
At 31 December 2007	—	(528)	(528)	39,242	429,014	1,885	57,766	527,907	527,379
Exchange differences Conversion of convertible bonds (Credited)/charged to profit and loss statement	—	(9)	(9)	2,452	23,460	—	3,727	29,639	29,630
	—	—	—	—	—	(996)	—	(996)	(996)
Disposal of a subsidiary (note 34b)	—	(10,903)	(10,903)	14,422	(12,497)	—	69,410	71,335	60,432
	—	—	—	—	(7,557)	—	—	(7,557)	(7,557)
At 31 December 2008	—	(11,440)	(11,440)	56,116	432,420	889	130,903	620,328	608,888

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset taxation assets against taxation liabilities and when the deferred taxes relate to the same fiscal authority. The above liabilities are determined after appropriate offsetting of the relevant amounts.

Except the tax losses, all the other deferred taxation assets and liabilities are expected to be recovered or settled after twelve months.

Deferred taxation assets of HK\$86,214,000 (2007: HK\$64,037,000) arising from unused tax losses and other temporary differences totalling HK\$453,357,000 (2007: HK\$364,785,000) have not been recognised in the financial statements. Unused tax losses of HK\$319,214,000 (2007: HK\$319,487,000) have no expiry date and the balance will expire at various dates up to and including 2013.

As at 31 December 2008, deferred taxation liabilities arising from withholding tax on undistributed profits of certain overseas subsidiaries have not been provided as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

Company

	Convertible bonds HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2006 and 2007	1,885	—	1,885
Conversion of convertible bonds Charged to profit and loss statement	(996)	—	(996)
	—	17,066	17,066
At 31 December 2008	889	17,066	17,955

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to cash used in operations

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit before taxation	(406,998)	2,850,701
Share of profits of jointly controlled entities	(54,902)	(155,478)
Share of losses of associated companies	63	6
Finance costs	130,694	110,751
Impairment loss/(gain on disposal) of non-current investments	667,053	(1,373,782)
Change in fair value of investment properties	62,298	(351,871)
Depreciation	3,875	3,402
Amortisation of leasehold land and land use rights	17,471	9,989
Interest income	(19,353)	(46,099)
Loss on disposal of property, plant and equipment	76	716
Loss on disposal of leasehold land and land use rights	—	951
Impairment of trade and other debtors	14,065	592
Impairment loss on land deposits	63,897	—
Provision for mortgage loans receivable	1,342	1,494
Share options expenses	14,717	11,780
Gain on disposal of a subsidiary	(3,985)	—
Excess of fair value of net assets acquired over the cost of additional interest in a subsidiary	—	(41,208)
Operating profit before working capital changes	490,313	1,021,944
(Increase)/decrease in development properties	(635,288)	1,078,937
Increase in amounts due from jointly controlled entities	—	(2,454,691)
Increase in amounts due from associated companies	—	(652,790)
Increase in debtors and prepayments	(657,356)	(45,098)
Decrease in mortgage loans receivable	685	781
Decrease in creditors and accruals	(346,886)	(2,109,402)
Cash used in operations	(1,148,532)	(3,160,319)

(b) Disposal of a subsidiary

	2008 HK\$'000	2007 HK\$'000
Net assets disposed:		
Investment properties	56,224	—
Development properties	1,822	—
Deferred taxation liabilities	(7,557)	—
Creditors and accruals	(575)	—
Taxation payable	(56)	—
Exchange reserve	(3,839)	—
	46,019	—
Gain on disposal	3,985	—
Cash consideration	50,004	—

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(c) Analysis of changes in financing

	Share capital and share premium HK\$'000	Minority interests HK\$'000	Borrowings HK\$'000	Total HK\$'000
At 31 December 2006	1,881,232	856,817	3,110,987	5,849,036
Change in exchange rates	—	71,710	95,909	167,619
Transfer from share option reserve	2,500	—	—	2,500
Acquisition of additional interest in a subsidiary	—	(50,691)	—	(50,691)
Share of profits of minority interests	—	178,938	—	178,938
Effective interest of convertible bonds	—	—	1,662	1,662
Cash flows from financing activities	20,877	—	1,370,940	1,391,817
At 31 December 2007	1,904,609	1,056,774	4,579,498	7,540,881
Change in exchange rates	—	71,278	119,836	191,114
Transfer from share option reserve	216	—	—	216
Conversion of convertible bonds	23,036	—	(17,828)	5,208
Share of profits of minority interests	—	45,380	—	45,380
Capital contribution	—	19,864	—	19,864
Effective interest of convertible bonds	—	—	1,489	1,489
Cash flows from financing activities	1,792	5,260	60,692	67,744
At 31 December 2008	1,929,653	1,198,556	4,743,687	7,871,896

35 COMMITMENTS

Group

	2008 HK\$'000	2007 HK\$'000
(a) Contracted but not provided for		
Commitments in respect of property developments of the Group and its jointly controlled entities	1,715,755	1,308,684

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following periods:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,134	1,147
Between one to five years	396	1,468
	1,530	2,615

(c) Operating lease rental receivables

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods :

	2008 HK\$'000	2007 HK\$'000
Within one year	260,327	194,753
Between one to five years	300,848	204,485
After five years	17,639	—
	578,814	399,238

36 GUARANTEES

As of 31 December 2008, the Group and the Company has executed the following guarantees in favour of the following parties:

Group

	2008		2007	
	Outstanding HK\$000	Utilised HK\$000	Outstanding HK\$000	Utilised HK\$000
Banks and financial institutions in respect of loan facilities granted to:				
— jointly controlled entities	2,404,250	1,437,350	775,000	437,750
— associated companies	1,008,750	641,550	1,008,750	641,550
	3,413,000	2,078,900	1,783,750	1,079,300

Company

	2008		2007	
	Outstanding HK\$000	Utilised HK\$000	Outstanding HK\$000	Utilised HK\$000
Banks and financial institutions in respect of loan facilities granted to:				
— subsidiaries	5,952,747	4,016,144	6,044,917	3,231,891
— jointly controlled entities	2,404,250	1,437,350	775,000	437,750
— associated companies	1,008,750	641,550	1,008,750	641,550
	9,365,747	6,095,044	7,828,667	4,311,191
Convertible bondholders in respect of the convertible bond issued by a subsidiary (note 38)	20,000	20,000	40,000	40,000
	9,385,747	6,115,044	7,868,667	4,351,191

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance obligation of an investee company under a contract with the HKSAR Government.

37 RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the financial statements which in the opinion of the Directors, were carried out in the normal course of business during the year :

- (a) Key management personnel comprise Executive Directors of the Company and their emoluments are set out as follows:

	2008 HK\$000	2007 HK\$000
Fees	570	470
Salaries and other emoluments	13,035	13,060
Discretionary bonuses	2,329	909
Pension costs-defined contribution plans	857	951
Share options	3,839	2,138
	20,630	17,528

- (b) Rental income from an investee company amounted to HK\$2,007,845 (2007: HK\$2,015,020) based on the terms of rental agreement between the parties.

38 POST BALANCE SHEET EVENTS

Convertible bonds with total principal amount of HK\$20 million were redeemed at 91.49% of their principal amount on its maturity by 23 March 2009 according to relevant terms and conditions of the bonds.

39 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Directly held by the Company					
Incorporated in the British Virgin Islands					
Sutimar Enterprises Limited	Hong Kong	100	US\$ 1	100	Investment holding
Indirectly held by the Company					
Incorporated in Hong Kong					
Bright City Development Limited	Hong Kong	2	HK\$ 1	100	Property development
Chely Well Limited	Hong Kong	1,000	1	72	Investment holding
Chinapex Company Limited	Singapore	1,000	10	100	Property investment and development
China Win Enterprise Limited	Hong Kong	5,000,000	1	100	Investment holding
Colour Day International Limited	Hong Kong	2	1	100	Investment holding
Enjoy International Limited	Hong Kong	1	1	100	Investment holding
Full Wealth Limited	Hong Kong	2	1	100	Property development
Grand Place Limited	Hong Kong	1	1	100	Investment holding
Grand Spark Limited	Hong Kong	1	1	100	Property investment and development
Greenwell Investments Limited	Guangzhou	2	1	100	Investment holding
Golden Arrow Limited	Hong Kong	1	1	100	Investment holding
Goldstar Power Limited	Hong Kong	1	1	100	Investment holding
Hero Plaza Limited	Hong Kong	2	1	100	Property development
Infinity Profit Limited	Hong Kong	1	1	100	Investment holding
K. Wah Management Services Limited	Hong Kong	100	100	100	Provision of management services
K. Wah Properties Investment Limited	Hong Kong	1,000	10	100	Investment holding
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	0.2	100	Investment holding
Lucky Way Investment Limited	Hong Kong	2	1	100	Property development
Minter Limited	Hong Kong	2	1	100	Investment holding
Netrich Limited	Hong Kong	2	1	100	Property development
New Fine Limited	Hong Kong	1	1	100	Property development
Orient Profit Limited	Hong Kong	1	1	100	Property development
Origin World Limited	Hong Kong	2	1	100	Property investment
Perfect Development Limited	Hong Kong	2	1	100	Property development
Polynice Limited	Hong Kong	2	1	100	Provision of finance
Sun City Limited	Hong Kong	2	1	100	Property management
Union Profits Limited	Hong Kong	2	1	100	Property investment and development
Victory Way Limited	Hong Kong	9,901,000	1	99.9	Investment holding
Wealthy Vision Limited	Hong Kong	1	1	100	Investment holding
Worldtop China Limited	Hong Kong	1	1	100	Investment holding
Incorporated in Japan					
Asahi Kohatsu Corporation	Japan	240	Yen 50,000	75	Trading
Incorporated in the British Virgin Islands					
All Smart Profits Limited	Hong Kong	10	US\$ 1	100	Investment holding
Amazing Enterprises Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Cyber Point Assets Limited	Hong Kong	10	1	100	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
Grow Ever Limited	Hong Kong	1	1	100	Investment holding
K. Wah International Finance Limited	Hong Kong	10	1	100	Provision of finance
League Trend Limited	Hong Kong	1	1	100	Investment holding
Leharme Properties Limited	Hong Kong	10	1	100	Investment holding
Ontrack Developments Limited	Hong Kong	10	1	100	Investment holding
Proper Land Limited	Hong Kong	1	1	100	Investment holding
Ragon Properties Limited	Hong Kong	10	1	100	Investment holding
Repton Developments Limited	Hong Kong	10	1	100	Investment holding
Select Vantage Profits Limited	Hong Kong	10	1	100	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment

39 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (cont'd)

(a) Subsidiaries (cont'd)

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Indirectly held by the Company				
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
廣州市嘉華花都置業有限公司	Guangzhou	HK\$93,600,000	100	Property development
廣州嘉揚房地產開發有限公司	Guangzhou	HK\$300,000,000 (Paid up: HK\$226,000,000)	100	Property development
江門市嘉豐房地產開發有限公司	Jiangmen	HK\$200,000,000 (Paid up: HK\$70,000,000)	100	Property development
Tianjin Jia Run Hua Property Development Co., Ltd.	Tianjin	US\$29,880,000	100	Property development
Tianjin JiaRunHe Property Development Co., Ltd.	Tianjin	US\$29,980,000	100	Property development
K. Wah (China) Investment Co., Ltd.	Shanghai	US\$30,000,000	100	Investment holding
Shanghai Guoguang Real Estate Development Co., Ltd.	Shanghai	US\$31,000,000	100	Property development
上海嘉敏房地產開發經營有限公司	Shanghai	US\$143,000,000 (Paid up: US\$110,230,198)	100	Property development
Cooperative joint venture				
廣州滙城房地產開發有限公司	Guangzhou	HK\$200,000,000	99.99	Property development
廣州市越華房地產發展有限公司	Guangzhou	HK\$187,000,000	100	Property development
廣州東鏡泰豐房地產開發有限公司	Guangzhou	US\$10,000,000	100	Property development
Shanghai Jia Zhao Real Estate Development Co.,Ltd.	Shanghai	US\$119,500,000 (Paid up: US\$73,800,000)	100	Property development
Equity joint venture				
Shanghai Jia Hui Da Real Estate Development Co., Ltd.	Shanghai	US\$53,000,000	39.6	Property investment and development
Shanghai Jia Gang Cheng Real Estate Development Co., Ltd.	Shanghai	US\$13,000,000	95	Property development
Shanghai Jiashen Real Estate Development Co., Ltd.	Shanghai	US\$38,000,000	99	Property development
上海凱通文安建設開發有限公司	Shanghai	Rmb10,000,000	53.61	Property development

39 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (cont'd)

(b) Jointly Controlled Entities

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Directly held by the Company					
Incorporated in Mainland China					
Shanghai Baoland Co., Ltd.	Shanghai		Registered capital RMB717,674,797	41.5	Property development
Indirectly held by the Company					
Incorporated in Hong Kong					
Anglers' Bay Property Management Company Limited	Hong Kong	2	HK\$ 1	50	Property management
Golden Famous International Limited	Hong Kong	2	1	25	Property development
Prime Force Limited	Hong Kong	2	1	50	Property development
Top Falcon Limited	Hong Kong	2	1	50	Provision of finance
Teamer International Limited	Hong Kong	1	1	35	Property development
Ace Glory Limited	Hong Kong	1	1	25	Property development
Incorporated in the British Virgin Islands					
Full Raise International Limited	Hong Kong	1,000	US\$ 1	25	Investment holding
Homeast Limited	Hong Kong	1,000	1	35	Investment holding

(c) Associated Companies (note)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Indirectly held by the Company					
Incorporated in Hong Kong					
Pacific Bond Limited	Hong Kong	1	HK\$ 1	15	Property development
Union King (Hong Kong) Limited	Hong Kong	1	1	15	Property development
Incorporated in the British Virgin Islands					
Garwin Investment Limited	Hong Kong	1,000	US\$ 1	15	Investment holding
Nimble Limited	Hong Kong	100	1	15	Investment holding

Note: Despite its 15% equity interest in each of these companies, significant influence is exercised in the management and thus these companies have been treated as associated companies of the Group.

Financial Calendar

DATES	EVENTS
17 July 2009	Payment of 2008 final cash dividend
3 June 2009	2009 annual general meeting
27 May 2009 to 3 June 2009 (both days inclusive)	Closure of registers of members
7 April 2009	Announcement of annual results for the year ended 31 December 2008
7 November 2008	Payment of 2008 interim cash dividend
10 September 2008	Announcement of interim results for the six months ended 30 June 2008

財務誌要

日期	事宜
二零零九年七月十七日	派發二零零八年度之末期現金股息
二零零九年六月三日	二零零九年股東週年大會
二零零九年五月二十七日至 二零零九年六月三日(首尾兩天包括在內)	暫停辦理股份過戶登記手續
二零零九年四月七日	公佈截至二零零八年十二月三十一日止年度之全年業績
二零零八年十一月七日	派發二零零八年度之中期現金股息
二零零八年九月十日	公佈截至二零零八年六月三十日止六個月之中期業績

Unless otherwise stated, in this annual report: (i) the **Company** means K. Wah International Holdings Limited and the **Group** includes the Company and its subsidiaries, (ii) the **Board** means the board of directors of the Company and **Directors** are the directors of the Company, (iii) **Share** and **Shareholder** are, respectively, ordinary share of the Company and holder of Share, (iv) **Listing Rules** refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, **Stock Exchange** is The Stock Exchange of Hong Kong Limited, (v) **SFO** is the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, (vi) **Bye-laws** refers to the Bye-laws of the Company, (vii) **GEG** is Galaxy Entertainment Group Limited (Hong Kong listed stock code 0027), (viii) **2008 Financial Statements** refers to the audited consolidated financial statements of the Company for the year ended 31 December 2008, and (ix) **PwC** is PricewaterhouseCoopers, external auditor of the Company.

除文義另有所指，否則於本年報內：(i)「**本公司**」指 K. Wah International Holdings Limited (嘉華國際集團有限公司)及「**本集團**」包括本公司及其附屬公司，(ii)「**董事會**」指本公司之董事會及「**董事**」指本公司之董事，(iii)「**股份**」及「**股東**」分別指本公司之普通股股份及股份持有人，(iv)「**上市規則**」指香港聯合交易所有限公司證券上市規則，「**聯交所**」指香港聯合交易所有限公司，(v)「**證券及期貨條例**」指香港法例第571章證券及期貨條例，(vi)「**公司細則**」指本公司之公司細則，(vii)「**銀河娛樂**」指銀河娛樂集團有限公司(於香港上市股份代號0027)，(viii)「**二零零八年財務報表**」指本公司截至二零零八年十二月三十一日止年度之經審核綜合財務報表，及(ix)「**羅兵咸永道**」指羅兵咸永道會計師事務所，本公司之外聘核數師。



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