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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2008

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the financial year ended 31st December, 2008 (the “Year”) pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Group’s consolidated income statement and consolidated balance sheet, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2007 are set out as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Continuing operations			
Turnover	3	1,264,925	4,478,075
Cost of sales		(279,811)	(2,541,535)
Gross profit		985,114	1,936,540
Other income	5	38,950	32,256
Investment income, net	6	3,995,971	1,399,071
Administrative expenses		(224,083)	(229,125)
Other expenses	7	(5,260)	(9,804)
Gain on disposals of property and other fixed assets		102	3,109
(Loss) gain on disposals of investment properties		(2,721)	1,776
Fair value changes on investment properties		(7,467,668)	6,421,788
Finance costs	9	(283,171)	(575,424)
Other gains and losses, net	10	10,168	(71,653)
Share of results of associates		(8,388)	601,431
(Loss) profit before tax		(2,960,986)	9,509,965
Income tax credit (expense)	11	1,506,728	(1,177,097)
(Loss) profit for the year from continuing operations		(1,454,258)	8,332,868
Discontinued operation			
Loss for the year from discontinued operation	12	(1,950)	-
(Loss) profit for the year	8	(1,456,208)	8,332,868
Attributable to:			
Equity holders of the parent		(1,494,376)	8,195,857
Minority interests		38,168	137,011
		(1,456,208)	8,332,868
Dividends	13	823,345	715,238

CONSOLIDATED INCOME STATEMENT (continued)
For the year ended 31st December, 2008

	Notes	2008	2007
(Loss) earnings per share (HK\$)	14		
From continuing and discontinued operations			
- Basic and diluted		<u>(0.67)</u>	<u>3.60</u>
From continuing operations			
- Basic and diluted		<u>(0.67)</u>	<u>3.60</u>

CONSOLIDATED BALANCE SHEET
At 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties		30,302,580	38,498,440
Property and other fixed assets		104,739	101,846
Properties under development		86,496	33,548
Prepaid lease payments		1,536,953	1,417,631
Property interests held for future development		-	-
Intangible assets		10,010	12,870
Goodwill		8,310	-
Interests in associates		869,727	1,210,936
Advances to associates		1,784,457	1,352,741
Interests in jointly controlled entities		-	-
Available-for-sale investments		468,127	11,916,268
Advances to investee companies		332,501	310,055
Loans receivable, due after one year		60,129	61,300
Deferred tax assets		96,690	66,574
Advance to a minority shareholder		14,580	9,527
Pledged deposits		99,599	79,217
		<u>35,774,898</u>	<u>55,070,953</u>
Current assets			
Stock of properties		4,945,495	3,781,462
Investments held-for-trading		-	367,753
Equity-linked note		-	101,516
Loans receivable, due within one year		117	586
Inventories for cosmetic products		3,426	1,425
Debtors, deposits and prepayments	15	223,439	299,433
Securities trading receivables and deposits		69,118	309,766
Tax recoverable		414	536
Pledged deposits		378,483	406,492
Time deposits, bank balances and cash		10,418,877	6,167,845
Sales proceeds held by stakeholders		63,272	206,540
		<u>16,102,641</u>	<u>11,643,354</u>

CONSOLIDATED BALANCE SHEET *(continued)*
At 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Current liabilities			
Derivative financial instruments		24,432	50,851
Creditors and accruals	16	323,026	295,766
Securities trading and margin payable		62,702	284,165
Deposits and receipts in advance		391,298	297,085
Tax liabilities		118,360	230,827
Borrowings – due within one year		3,163,925	2,949,269
Provisions		16,054	16,017
		<u>4,099,797</u>	<u>4,123,980</u>
Net current assets		<u>12,002,844</u>	<u>7,519,374</u>
Total assets less current liabilities		<u>47,777,742</u>	<u>62,590,327</u>
Non-current liabilities			
Financial guarantee liabilities		618	618
Borrowings – due after one year		8,505,258	9,380,589
Amounts due to associates		9,271	8,941
Amounts due to minority shareholders		77,565	90,059
Deferred tax liabilities		3,882,381	5,444,587
		<u>12,475,093</u>	<u>14,924,794</u>
Total assets and liabilities		<u>35,302,649</u>	<u>47,665,533</u>
Capital and reserves			
Share capital		207,775	230,044
Reserves		34,442,818	46,931,594
Equity attributable to equity holders of the parent		<u>34,650,593</u>	<u>47,161,638</u>
Minority interests		<u>652,056</u>	<u>503,895</u>
Total equity		<u>35,302,649</u>	<u>47,665,533</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance and with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values, as appropriate.

2. Application of New and Revised HKFRSs

The accounting policies adopted in the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31st December, 2007, except as described below.

In the current year, the Group has applied, for the first time, the following amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008

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

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

In addition, the Group has early applied HKFRS 8 “Operating Segments” which is effective for annual periods beginning on or after 1st January, 2009. The application of HKFRS 8 has resulted in a change in the presentation of the operating segments of the Group. The changes in presentation have been applied retrospectively. The early adoption of the HKFRS 8 does not have any financial impact to the Group's accounting policies.

HKFRS 8 requires the issuer to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of the issuer about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The adoption of this new standard had no material effect on the results of operations and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Except as described above, the Group has not early applied the following revised standards, amendments or interpretations (“new HKFRSs”) that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 2 (Amendment)	Share-based-Payment: Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ³

¹ Effective for annual periods beginning on or after 1st January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Turnover

Turnover represents the aggregate of amounts received and receivable from the sales of investments held-for-trading, sale of properties held for sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

The Group's proceeds from the sale of investments held-for-trading and the corresponding carrying amount together with the transaction costs were separated into "Turnover" and "Cost of sales" respectively, in prior year's consolidated income statement. During the current year, the Group changed its presentation, as in the opinion of the Directors, it is more appropriate to present the gains/losses from the sale of investments held-for-trading in "Turnover" on a net basis.

The effect of this change in presentation was to decrease turnover and cost of sales for the year ended 31st December, 2008 by approximately HK\$1,529,211,000 representing the carrying amount of investments held-for-trading disposed of together with the transaction costs during the Year.

To conform with the current year's presentation, the carrying amount of investments held-for-trading disposed of together with the transaction costs for the year ended 31st December, 2007 of HK\$3,968,790,000 has been offset against turnover, resulting in a decrease in turnover and cost of sales for that year by the same amount. These changes do not have any impact on the results of the Group in respect of the prior years.

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, floating rate and fixed rate notes, other listed held-for-trading investments and treasury products and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing for retail	–	Property leasing from retail properties
Property leasing for non-retail	–	Property leasing from non-retail properties
Listed available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
Floating rate and fixed rate notes	–	Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments
Other listed held-for-trading investments and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The accounting policies of the operating segments are the same as those described in the principal accounting policies. The Group evaluates performance on the basis of profit or loss from operations after tax expense and minority interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties together with their respective deferred tax expense. No intersegment turnover is accounted for as the intersegment turnover is mainly the rental income for administrative purpose.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2007.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group's revenue and result.

Operating segment information is presented below:

Consolidated Income Statement

For the year ended 31st December, 2008

	Property development and trading HK\$'000	Property leasing for retail HK\$'000	Property leasing for non-retail HK\$'000	Listed available-for-sale equity investments HK\$'000	Floating rate and fixed rate notes HK\$'000	Other listed held-for-trading investments and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Continuing operations									
Major cash items excluding in Revenue									
- Hong Kong	-	-	-	6,888,426	-	160,604	-	-	7,049,030
- Other countries	-	-	-	-	-	1,252,543	-	-	1,252,543
	-	-	-	6,888,426	-	1,413,147	-	-	8,301,573
Revenue									
Revenue from external customers									
- Hong Kong	370,393	581,703	299,224	-	-	(13,237)	22,115	26,903	1,287,101
- PRC	-	43,877	36,774	-	-	-	-	-	80,651
- other countries	-	-	-	-	-	(102,827)	-	-	(102,827)
	370,393	625,580	335,998	-	-	(116,064)	22,115	26,903	1,264,925
Revenue from external customers after minority interests									
	314,814	624,602	333,973	-	-	(116,064)	22,115	26,903	1,206,343
Result									
Segment result									
- Hong Kong	190,137	545,792	282,746	3,763,990	250	25,072	246,473	46,591	5,101,051
- PRC	-	36,091	31,999	-	-	-	4,753	-	72,843
- other countries	-	-	-	-	-	(102,066)	(73,660)	-	(175,726)
	190,137	581,883	314,745	3,763,990	250	(76,994)	177,566	46,591	4,998,168
Unallocated corporate expenses, net									
(210,095)									
Finance costs									
- finance cost on listed securities investments and treasury products	-	-	-	-	-	3,477	-	-	3,477
- unallocated finance costs	-	-	-	-	-	-	-	-	(286,648)
Other gains and losses, net									
- impairment loss recognised in respect of advance to an associate	-	342	-	-	-	-	-	(5,814)	(5,472)
- impairment loss recognised in respect of interest in an associate	-	-	-	-	-	-	-	(653)	(653)
- unallocated other gains and losses, net	-	-	-	-	-	-	-	-	16,293
Share of results of associates									
- property sales	36,832	-	-	-	-	-	-	-	36,832
- attributable gross income									
Hong Kong	-	2,313	18,625	-	-	-	-	-	20,938
PRC	-	90,777	3,960	-	-	-	-	-	94,737
- operating cost									
Hong Kong	-	(1,172)	(3,093)	-	-	-	-	-	(4,265)
PRC	-	(40,849)	(3,488)	-	-	-	-	(39,588)	(83,925)
- other results	-	-	-	-	-	-	2,791	(12,006)	(9,215)
Profit before tax and minority interests (excluding major non-cash items)									
4,570,172									
Income tax expense									
(75,536)									
Minority interests									
- for property development and trading	(41,019)	-	-	-	-	-	-	-	(41,019)
- unallocated minority interest	-	-	-	-	-	-	-	-	(3,798)
Reportable segment results									
	185,950	633,294	330,749	3,763,990	250	(73,517)	180,357	(11,470)	
Profit for the year from continuing operations attributable to equity holders of the parent									
4,449,819									
Discontinued operation									
Loss for the year from discontinued operation attributable to equity holders of the parent									
(979)									
Core profit (excluding major non-cash items)									
4,448,840									
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and minority interests)	(7,525,480)								
- deferred tax	1,582,264								
Loss for the year attributable to equity holders of the parent									
(1,494,376)									

Consolidated Balance Sheet

At 31st December, 2008

	Property development and trading	Property leasing for retail	Property leasing for non-retail	Listed available- for-sale equity investments	Floating rate and fixed rate notes	Other listed held-for- trading investments and treasury products	Unlisted investments, investment holding and brokerage	All other segments	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets									
Segment assets									
- Hong Kong	2,274,073	19,406,122	17,845,771	-	221,813	330,021	490,545	103,282	40,671,627
- PRC	5,542,424	612,654	598,822	-	-	-	-	-	6,753,900
- other countries	1,686,144	-	-	-	-	-	-	-	1,686,144
Interests in associates									
- Hong Kong	278,400	64,701	334,951	-	-	-	3,577	545	682,174
- PRC	-	168,765	18,788	-	-	-	-	-	187,553
Advances to associates									
- Hong Kong	923,409	22,683	48,138	-	-	-	1	5,416	999,647
- PRC	699,075	77,147	8,588	-	-	-	-	-	784,810
Reportable segment assets	<u>11,403,525</u>	<u>20,352,072</u>	<u>18,855,058</u>	-	<u>221,813</u>	<u>330,021</u>	<u>494,123</u>	<u>109,243</u>	<u>51,765,855</u>
Unallocated corporate assets									111,684
Consolidated total assets									<u>51,877,539</u>
Liabilities									
Segment liabilities									
- Hong Kong	201,537	336,100	76,877	-	150	25,048	64,229	16,073	720,014
- PRC	67,231	16,022	14,745	-	-	-	-	-	97,998
- other countries	118	-	-	-	-	-	-	-	118
Reportable segment liabilities	<u>268,886</u>	<u>352,122</u>	<u>91,622</u>	-	<u>150</u>	<u>25,048</u>	<u>64,229</u>	<u>16,073</u>	<u>818,130</u>
Unallocated corporate liabilities									15,756,760
Consolidated total liabilities									<u>16,574,890</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)									
	<u>537,590</u>	<u>294,128</u>	<u>154,194</u>	-	-	-	<u>2,791</u>	<u>13</u>	

Other Material Items

	Reportable segments totals	Adjustments for unallocated	Adjustments for major non-cash items	Consolidated income statement (continuing operations)	Consolidated income statement (discontinued operation)	Consolidated income statement totals
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	228,405	-	-	228,405	38	228,443
Interest expenses	3,477	(286,648)	-	(283,171)	-	(283,171)
Net interest income (expenses)	<u>231,882</u>	<u>(286,648)</u>	-	<u>(54,766)</u>	<u>38</u>	<u>(54,728)</u>
Depreciation and amortisation	-	(20,810)	-	(20,810)	-	(20,810)
Fair value changes on investment properties	-	-	(7,467,668)	(7,467,668)	-	(7,467,668)
Share of results of associates	55,102	-	(63,490)	(8,388)	-	(8,388)
Income tax (credit) expense	(75,536)	-	1,582,264	1,506,728	-	1,506,728
Minority interests	(41,019)	(3,798)	5,678	(39,139)	971	(38,168)

Consolidated Income Statement

For the year ended 31st December, 2007

	Property development and trading HK\$'000	Property leasing for retail for retail HK\$'000	Property leasing for non-retail HK\$'000	Listed available- for-sale equity investments HK\$'000	Floating rate and fixed rate notes HK\$'000	Other listed held-for- trading investments and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Major cash items excluding in Revenue									
- Hong Kong	-	-	-	1,662,291	-	3,812,319	-	-	5,474,610
- other countries	-	-	-	-	-	339,240	-	-	339,240
	-	-	-	1,662,291	-	4,151,559	-	-	5,813,850
Revenue									
Revenue from external customers									
- Hong Kong	3,403,535	476,129	226,513	-	-	196,483	99,083	19,357	4,421,100
- PRC	-	39,891	30,798	-	-	-	-	-	70,689
- other countries	-	-	-	-	-	(13,714)	-	-	(13,714)
	3,403,535	516,020	257,311	-	-	182,769	99,083	19,357	4,478,075
Revenue from external customers after minority interests	2,960,916	514,453	255,552	-	-	182,769	99,083	19,357	4,032,130
Result									
Segment result									
- Hong Kong	980,959	432,344	207,947	974,757	-	322,939	314,039	34,438	3,267,423
- PRC	-	34,211	26,525	-	-	-	4,326	-	65,062
- other countries	-	-	-	-	-	21,065	-	-	21,065
	980,959	466,555	234,472	974,757	-	344,004	318,365	34,438	3,353,550
Unallocated corporate expenses, net									(219,727)
Finance costs									
- finance cost on listed securities investments and treasury products	-	-	-	-	-	(118,733)	-	-	(118,733)
- unallocated finance costs									(456,691)
Other gains and losses, net									
- impairment loss recognised in respect of advance to an associate	-	576	-	-	-	-	-	(2,460)	(1,884)
- unallocated other gains and losses, net									(69,769)
Share of results of associates									
- property sales	463,664	-	-	-	-	-	-	-	463,664
- attributable gross income									
Hong Kong	-	1,879	14,547	-	-	-	-	-	16,426
PRC	-	69,085	3,247	-	-	-	-	-	72,332
- operating cost									
Hong Kong	-	(464)	(3,121)	-	-	-	-	-	(3,585)
PRC	-	(36,131)	(1,798)	-	-	-	-	(8,883)	(46,812)
- other results	-	-	-	-	-	-	8,641	31,368	40,009
Profit before tax and minority interests (excluding major non-cash items)									3,028,780
Income tax expense									(182,891)
Minority interests									
- for property development and trading	(242,831)	-	-	-	-	-	-	-	(242,831)
- unallocated minority interest									129,075
Reportable segment results	1,201,792	501,500	247,347	974,757	-	225,271	327,006	54,463	
Core profit (excluding major non-cash items)									2,732,133
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and minority interests)									6,457,930
- deferred tax									(994,206)
Profit for the year attributable to equity holders of the parent									8,195,857

Consolidated Balance Sheet

At 31st December, 2007

	Property development and trading	Property leasing for retail	Property leasing for non-retail	Listed available- for-sale equity investments	Floating rate and fixed rate notes	Other listed held-for- trading investments and treasury products	Unlisted investments, investment holding and brokerage	All other segments	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets									
Segment assets									
- Hong Kong	1,456,001	24,624,847	17,890,657	11,389,662	-	504,909	1,883,066	122,878	57,872,020
- PRC	1,623,276	1,398,478	1,138,182	-	-	-	-	-	4,159,936
- other countries	1,660,631	-	-	-	-	381,406	-	-	2,042,037
Interests in associates									
- Hong Kong	442,287	1,879	493,724	-	-	-	-	111,174	1,049,064
- PRC	-	145,657	16,215	-	-	-	-	-	161,872
Advances to associates									
- Hong Kong	796,655	25,812	64,655	-	-	-	-	6,134	893,256
- PRC	373,750	77,147	8,588	-	-	-	-	-	459,485
Reportable segment assets	6,352,600	26,273,820	19,612,021	11,389,662	-	886,315	1,883,066	240,186	66,637,670
Unallocated corporate assets									76,637
Consolidated total assets									66,714,307
Liabilities									
Segment liabilities									
- Hong Kong	16,404	368,750	153,951	5,287	-	99,679	231,422	29,710	905,203
- PRC	8,531	16,336	14,251	-	-	-	-	-	39,118
- other countries	104	-	-	-	-	177,605	-	-	177,709
Reportable segment liabilities	25,039	385,086	168,202	5,287	-	277,284	231,422	29,710	1,122,030
Unallocated corporate liabilities									17,926,744
Consolidated total liabilities									19,048,774
Additions to non-current assets (other than financial instruments and deferred tax assets)									
	2,414,530	294,154	218,759	-	-	-	8,641	22,667	

Other Material Items

	Reportable segments totals	Adjustments for unallocated	Adjustments for major non-cash items	Consolidated income statement totals
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	270,798	-	-	270,798
Interest expenses	(118,733)	(456,691)	-	(575,424)
Net interest income (expenses)	152,065	(456,691)	-	(304,626)
Depreciation and amortisation	-	(16,699)	-	(16,699)
Fair value changes on investment properties	-	-	6,421,788	6,421,788
Share of results of associates	542,034	-	59,397	601,431
Income tax expense	(182,891)	-	(994,206)	(1,177,097)
Minority interests	(242,831)	129,075	(23,255)	(137,011)

5. Other Income

	2008 HK\$'000	2007 HK\$'000
Included in other income are:		
Building management fee income	68,109	56,879
Building management fee expenses	(42,113)	(38,940)
	25,996	17,939
Exchange gain, net	-	3,451

6. Investment Income, Net

	2008 HK\$'000	2007 HK\$'000
Continuing operations		
Gain on financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised gain on investments held-for-trading	-	20,372
Financial assets at fair value through profit or loss classified as designated:		
Unrealised loss on equity-linked notes	-	(46,311)
Realised (loss) gain on equity-linked notes	(16,221)	2,427
Net loss on financial assets at fair value through profit or loss classified as designated	(16,221)	(43,884)
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Unrealised gain on derivative financial instruments	26,419	51,925
Realised gain on derivative financial instruments	-	65,868
Net gain on financial liabilities at fair value through profit or loss classified as held-for-trading	26,419	117,793
Impairment loss for available-for-sale investment	(78,881)	-
Transfer from equity on disposals of available-for-sale investments:		
Listed investments	3,647,768	888,684
Unlisted investment	5,221	-
Dividend income on:		
Listed investments		
- available-for-sale investments	116,222	86,073
- other listed investments	761	3,913
Unlisted investments	57,791	65,755
Interest income	209,738	227,292
Imputed interest income on:		
Advances to associates	26,772	33,073
Advance to a minority shareholder	381	-
	3,995,971	1,399,071
Discontinued operation		
Interest income from discontinued operation	38	-
	3,996,009	1,399,071

Included in interest income are interest from derivative financial instruments, listed floating rate notes and unlisted floating rate and fixed rate notes approximately HK\$28,111,000, HK\$1,481,000 and HK\$4,961,000 respectively (2007: equity-linked notes HK\$12,132,000 and derivative financial instruments HK\$50,909,000).

7. Other Expenses

	2008 HK\$'000	2007 HK\$'000
Included in other expenses are:		
Amortisation of intangible assets	2,860	1,430
Expenses for specific transactions	<u>2,400</u>	<u>8,374</u>

8. (Loss) Profit for the Year

	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year has been arrived at after (charging) crediting:		
Continuing operations		
Total staff costs:		
Staff costs, including Directors' emoluments	(117,116)	(94,997)
Retirement benefits scheme contributions, net of forfeited contributions of HK\$192,000 (2007: HK\$197,000)	(4,118)	(4,268)
	(121,234)	(99,265)
Auditors' remuneration	(3,119)	(1,925)
Depreciation	(20,005)	(16,090)
Amortisation	(805)	(609)
Cost of trading properties recognised	(191,515)	(2,240,217)
Cost of cosmetic products recognised	(2,778)	(1,300)
Share of tax of associates (included in share of results of associates)	(1,594)	(89,152)
Gross proceeds on sale of investments held-for-trading	1,413,147	4,151,559
Carrying amount on investments held-for-trading disposed	(1,525,028)	(3,963,100)
Transaction cost on investments held-for-trading disposed	(4,183)	(5,690)
Net (losses) gains on sale of investments held-for-trading included in turnover	(116,064)	182,769
Gross rental income from investment properties	961,578	773,331
Less: Direct operating expenses from investment properties that generated rental income during the year	(50,876)	(59,160)
Direct operating expenses from investment properties that did not generate rental income during the year	(11,353)	(13,144)
	<u>899,349</u>	<u>701,027</u>
Discontinued operation		
Staff costs	(684)	-
Retirement benefits scheme contributions	<u>(21)</u>	<u>-</u>

9. Finance Costs

	2008 HK\$'000	2007 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	306,807	522,265
Bank loans wholly repayable over five years	10,775	1,633
Other loans wholly repayable within five years	4,420	106,427
Amounts due to minority shareholders	-	21,756
	<u>322,002</u>	<u>652,081</u>
Imputed interest on:		
Amounts due to associates	813	1,006
Amounts due to minority shareholders	5,057	2,751
Convertible bonds	5,305	4,050
	<u>11,175</u>	<u>7,807</u>
Total interest	333,177	659,888
Exchange (gain) loss on translation of foreign currency loans	(7,897)	12,306
Other finance costs	10,607	4,242
	<u>335,887</u>	<u>676,436</u>
Less: Interest capitalised to stock of properties under development	(20,502)	(40,602)
Less: Interest capitalised to investment properties under development	(32,214)	(60,410)
	<u>283,171</u>	<u>575,424</u>

10. Other Gains and Losses, Net

	2008 HK\$'000	2007 HK\$'000
Included in other gains and losses, net are:		
Impairment loss reversed in respect of advances to associates	187	1,719
Impairment loss recognised in respect of advance to an associate	(5,472)	(1,884)
Gain on purchase of convertible bonds of a subsidiary (Note 1)	6,396	-
Gain on redemption of convertible bonds of a subsidiary (Note 2)	5,595	-
Gain on disposal of subsidiaries (Note 3)	3,870	-
Impairment loss recognised in respect of interests in an associate	(653)	-
Gain on disposal of a subsidiary (Note 4)	-	158,212
Gain on deemed disposal of interests in an associate	-	5,103
Loss on conversion of convertible bonds by cash settlement	-	(236,705)
Discount on acquisition of a subsidiary	-	624
	<u>-</u>	<u>624</u>

- Notes
1. Gain on purchase of convertible bonds of a subsidiary arose from acquisition of convertible bonds in face value of HK\$108,000,000 of G-Prop (Holdings) Limited ("G-Prop") from Fame Ascent Investments Limited in April 2008.
 2. Gain on redemption of convertible bonds of a subsidiary arose from redemption of convertible bonds in face value of HK\$72,000,000 of G-Prop.
 3. Gain on disposal of subsidiaries arose from disposal of the Methanol Project.
 4. Gain on disposal of a subsidiary arose from disposal of 15.11% interest in G-Prop by placing on 7th June, 2007.

11. Income Tax (Credit) Expense

	2008 HK\$'000	2007 HK\$'000
The (credit) charge comprises:		
Current tax:		
Hong Kong Profits Tax	67,775	174,389
Other than Hong Kong	10,145	9,556
	77,920	183,945
Underprovision in prior years:		
Hong Kong Profits Tax	12,297	1,181
Other than Hong Kong	155	-
	12,452	1,181
Deferred tax:		
Current year	(1,296,232)	992,588
Overprovision in prior years	(8,539)	(617)
Attributable to a change in tax rate	(292,329)	-
	(1,597,100)	991,971
	<u>(1,506,728)</u>	<u>1,177,097</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

With effect from the year of assessment 2008/2009, the Hong Kong Profits Tax has been reduced from 17.5% to 16.5%. On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which has changed the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

Deferred tax reversal of HK\$1,597,100,000 included the deferred tax credit of HK\$1,289,805,000 (2007: expense of HK\$994,206,000) on fair value changes on investment properties recognised for the Year and tax reversal of HK\$292,459,000 (2007: nil) reflecting the respective reduction in tax rate was included in the reverse figure of HK\$292,329,000.

12. Loss for the Year from Discontinued Operation

	2008 HK\$'000	2007 HK\$'000
Turnover	-	-
Investment income, net	38	-
Administrative expenses	(1,988)	-
Loss for the year from discontinued operation	<u>(1,950)</u>	<u>-</u>

On 1st February, 2008, G-Prop (Holdings) Limited entered into a conditional agreement with Fame Ascent Investments Limited to dispose of the operation in production and sale of methanol (the "Methanol Project") for approximately HK\$183.7 million. The disposal was completed on 25th July 2008, following the disposal, the results of Methanol Project was reported as a discontinued operation and presented separately in the consolidated income statement in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

13. Dividends

	2008 HK\$'000	2007 HK\$'000
(a) Final dividend for 2007 paid on 25th June, 2008 of HK22.5 cents (2006: HK18 cents) per share		
Cash	469,152	129,774
Share alternative under scrip dividend scheme	48,006	277,095
	<u>517,158</u>	<u>406,869</u>
(b) Interim dividend for 2008 paid on 8th October, 2008 of HK13.5 cents (2007: HK13.5 cents) per share		
Cash	302,272	121,204
Share alternative under scrip dividend scheme	3,915	187,165
	<u>306,187</u>	<u>308,369</u>
Total dividends paid	<u>823,345</u>	<u>715,238</u>

Final dividend of HK1 cent (2007: HK22.5 cents) per share and special dividend of HK99 cents (2007: nil) per share have been proposed by the Directors and are subject to approval by the shareholders in general meeting.

14. (Loss) Earnings Per Share

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

	2008 HK\$'000	2007 HK\$'000
<i>From continuing and discontinued operations</i>		
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(loss) profit for the year attributable to equity holders of the parent	<u>(1,494,376)</u>	<u>8,195,857</u>
	Number of shares	
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<u>2,228,668,314</u>	<u>2,277,396,424</u>
	2008 HK\$'000	2007 HK\$'000
<i>From continuing operations</i>		
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(loss) profit for the year attributable to equity holders of the parent	<u>(1,493,397)</u>	<u>8,195,857</u>
	Number of shares	
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss earnings per share	<u>2,228,668,314</u>	<u>2,277,396,424</u>
	2008 HK\$'000	2007 HK\$'000
<i>From discontinued operation</i>		
Loss:		
Loss for the purposes of basic and diluted loss per share		
(loss for the year attributable to equity holders of the parent)	<u>(979)</u>	<u>-</u>
	Number of shares	
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,228,668,314</u>	<u>2,277,396,424</u>

For the year ended 31st December, 2008, diluted loss per share from both continuing and discontinued operations and continuing operations did not assume the conversion of the outstanding convertible bonds of a subsidiary of the Company since their conversion would result in a decrease in loss per share.

For the year ended 31st December, 2007, diluted earnings per share from both continuing and discontinued operations and continuing operations were the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

Basic and diluted loss per share from the discontinued operation was HK0.04 cents per share for the year ended 31st December, 2008 (2007: nil), based on the loss from the discontinued operation for the Year of HK\$979,000 (2007: nil) and the denominators detailed above as continuing and discontinued operations for the basic and diluted loss per share.

15. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$35,353,000 (2007: HK\$119,439,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

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

	2008 HK\$'000	2007 HK\$'000
0 - 30 days	18,634	103,443
31 - 60 days	3,024	1,216
61 - 90 days	1,890	1,391
Over 90 days	11,805	13,389
	<u>35,353</u>	<u>119,439</u>

The Directors consider that the fair value of the Group's debtors at the balance sheet date was approximately their carrying amounts.

16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$141,563,000 (2007: HK\$43,765,000).

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

	2008 HK\$'000	2007 HK\$'000
0 - 90 days	111,874	38,243
Over 90 days	29,689	5,522
	<u>141,563</u>	<u>43,765</u>

The Directors consider that the fair value of the Group's creditors at the balance sheet date was approximately their carrying amounts.

17. Capital Commitments and Contingent Liabilities

	2008 HK\$'000	2007 HK\$'000
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	1,269,073	460,080
Development expenditure of properties in Mainland China	724,969	126,637
Development expenditure of properties in Macau	36,412	51,780
Renovation of properties	268,571	276,546
	<u>2,299,025</u>	<u>915,043</u>
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	205,320	163,113
Renovation of properties	-	224
	<u>205,320</u>	<u>163,337</u>
(b) Contingent liabilities:		
Guarantees given to bank, in respect of banking facilities utilised by associates/investee company	1,069,650	1,069,650
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	10,000	10,000
	<u>1,079,650</u>	<u>1,079,650</u>

18. Comparative figures

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

DIVIDENDS AND SHARE REPURCHASE

The Board has recommended the payment of final dividend of HK1 cent per share for the Year (the “Final Dividend”) (2007: HK22.5 cents). During the Year, the Group has realised all its listed securities investments. Out of the core profit HK\$4,448.8 million (2007: HK\$2,732.1 million), a profit of HK\$3,690.5 million (2007: HK\$1,200.0 million) was generated by the listed securities investment activities. With such results, the Board has recommended the payment of a special dividend of HK99 cents per share for the Year (the “Special Dividend”) (2007: nil), amounting to HK\$2,033.8 million (2007: nil), which are summarized as follows:-

	For the year ended	
	31st December	
	2008	2007
Profit on listed securities investments (HK\$m)	3,690.5	1,200.0
Special Dividend (HK\$m)	2,033.8	-
 <u>On a share basis</u>		
Profit on listed securities investments (HK cents)	165.6	52.7
Special Dividend (HK cents)	99.0	-
Special Dividend as a percentage of profit on listed securities investments	59.8%	n/a

In addition to the Special Dividend, during the Year, the Company has allocated an aggregate cash amount of HK\$4,648.4 million (2007: HK\$825.5 million) (or HK216.2 cents per share (2007: HK36.0 cents)) which would be paid to shareholders. Out of such sum, an amount of HK\$306.2 million (2007: HK\$308.4 million) (or HK13.5 cents per share (2007: HK13.5 cents)) has been applied for the payment of interim dividend; an amount of HK\$20.5 million (2007: HK\$517.1 million) (or HK1 cent per share (2007: HK22.5 cents)) would be applied for the payment of Final Dividend; and an amount of HK\$2,287.9 million (2007: nil) (or HK102.7 cents) has been utilized for the repurchase of the Company’s shares.

The aggregate of interim dividend, Final Dividend, Special Dividend and share repurchase are summarised as follows:-

	For the year ended	
	31st December	
	2008	2007
Core profit (HK\$m)	4,448.8	2,732.1
Share repurchase (HK\$m)	2,287.9	-
Interim Dividend (HK\$m)	306.2	308.4
Final Dividend (HK\$m)	20.5	517.1
Special Dividend (HK\$m)	2,033.8	-
 <u>On a share basis</u>		
Core profit (HK cents)	199.6	120.0
Share repurchase (HK cents)	102.7	-
Interim Dividend (HK cents)	13.5	13.5
Final Dividend (HK cents)	1.0	22.5
Special Dividend (HK cents)	99.0	-
 Share repurchase, Interim, Final and Special Dividend (HK cents)	 216.2	 36.0
As a percentage of core profit	108%	30%

Factors Considered

In its decision of recommending the Final Dividend and Special Dividend, the Board has taken into consideration the following factors:-

- (a) The profit on listed securities investments was arose from disposal of the entire portfolio of listed securities investment during the Year. After such disposal, there is no intention to invest in listed securities in a similar level as in 2008 in the near future.
- (b) Cash and bank balances of the Group amounted to HK\$10,419 million as at 31st December, 2008. A significant portion of such balance was derived from the disposal of the entire portfolio of listed securities investment during the Year referred to above.
- (c) Following the financial tsunami since late 2008, the economic condition and operating environment have deteriorated. Rental for 2009 is expected to decrease and properties are likely to be sold at a low price.
- (d) The current difficult economic condition and operating environment would have an adverse impact on the Group's business activities and thus on its ability to pay dividend.
- (e) The prevailing Hong Kong dollar interest spread for placing deposit and bank borrowing has widen by 200 to 250 basis point or 2% to 2.5% per annum as compared with the market spread in the first half 2008, which implies a higher cost of negative carry in holding cash and bank balances by the Group.
- (f) The Group has outstanding bank borrowings of HK\$11,669 million and contingent liabilities in respect of bank borrowings by its associated companies of HK\$1,080 million as at 31st December, 2008. Following the financial tsunami since late 2008, a number of foreign banks have withdrew their participation in Hong Kong loan lending market while some local banks have reduced the size of their loan books. The loan syndication market in Hong Kong is weak. In general, refinancing bank borrowings would be a challenge to many corporations in 2009.
- (g) If the Final Dividend and Special Dividend are approved by the shareholders and payment made, the cash and bank balances of the Group will be reduced by such amount. In the event that the Group encounters difficulties refinancing its bank borrowings in the years ahead, the Company could at that time raise fund through equity issue including seeking the support from its shareholders by way of rights issue.

Approval of Dividend by Shareholders and Expected Timeframe

Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the dividend warrants will be posted on or about 8th June, 2009 to shareholders whose names appear on the register of members of the Company on 27th May, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 22nd May, 2009 to 27th May, 2009, both days inclusive. In order to qualify for the recommended dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21st May, 2009.

FINANCIAL OPERATION REVIEW

Results

Continuing Operations

Turnover for the Year amounted to HK\$1,264.9 million (year ended 31st December, 2007: HK\$4,478.1 million (restated); previously stated as HK\$8,446.9 million), a 71.8% decrease over the same period last year. It was mainly due to the decrease in turnover for sales of development properties.

During the Year, the Group changed its presentation in the sale of held-for-trading investments to a net basis. The sale proceeds of HK\$1,413.1 million (year ended 31st December, 2007: HK\$4,151.6 million) had been offset against the corresponding carrying amount of the disposed held-for-trading investments of HK\$1,525.0 million (year ended 31st December, 2007: HK\$3,963.1 million) and its related transaction cost of HK\$4.2 million (year ended 31st December, 2007: HK\$5.7 million). The gains and losses were then presented in turnover and comparative figures for 2007 have been amended to conform with the current year's presentation.

For property leasing, following the completion of renovation on the first phase of Windsor House and on the cinema portion of Silvercord at the end of 2007, new letting transactions with very favourable rentals have been recorded, thus the rental income in retail section jumped by 21.2%. Rental income from non-retail section had also shown a very satisfactory increase of 30.6% during the Year. The Year recorded an increase of 24.3% in total rental income to HK\$961.6 million as compared with the corresponding period in 2007 of HK\$773.3 million. Together with the attributable rental income generated from associates of HK\$116.0 million (year ended 31st December, 2007: HK\$89.3 million), the total attributable rental income to the Group after minority interest reached to approximately HK\$1,074.6 million (year ended 31st December, 2007: HK\$859.3 million), which achieved a 25.0% increase over the same period last year.

Gross profit for the Year amounted to HK\$985.1 million, a 49.1% decrease as compared with the same period last year.

In relation to property development, a profit of HK\$186.0 million (year ended 31st December, 2007: HK\$1,201.8 million) was recorded. Sale of MOD 595 in Mongkok had been successful and had contributed an attributable profit to the Group of approximately HK\$52.3 million. Certain units at Gemstar Tower in Hunghom (61.96% interest) and at The Zenith in Wanchai (87.5% interest) sold during the Year had contributed an attributable profit to the Group of HK\$61.3 million (year ended 31st December, 2007: HK\$27.4 million) and HK\$9.8 million (year ended 31st December, 2007: HK\$757.0 million) respectively. In addition, Miami Crescent in Sheung Shui (50% interest) and Indihome in Tsuen Wan (50% interest) continuously had generated profit of HK\$26.6 million (year ended 31st December, 2007: HK\$47.4 million) and HK\$5.8 million (year ended 31st December, 2007: HK\$26.1 million) respectively, which were included in share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK\$25.4 million (year ended 31st December, 2007: HK\$33.0 million) was recorded in investment income.

Investment properties of the Group were revalued as at 31st December, 2008 and recorded a decrease in fair value of HK\$7,467.7 million as a result of the downturn of the property markets in Hong Kong and Mainland China.

During the Year, the total gains recognised on listed securities investments were HK\$3,690.5 million (year ended 31st December, 2007: HK\$1,200.0 million), including listed equity securities investments included in available-for-sale investments, listed held-for-trading investments and treasury products.

The Group had disposed all listed equity securities investments included in available-for-sale investments. A gain of HK\$3,647.8 million (year ended 31st December, 2007: HK\$888.7 million) was recognised as net investment income, after deducting transaction costs of HK\$8.2 million (year ended 31st December, 2007: HK\$2.0 million), which was transferred from a cumulative gain of HK\$3,656.0 million (year ended 31st December, 2007: HK\$890.7 million) in equity as securities investments reserve. Together with the respective dividend income of HK\$116.2 million (year ended 31st December, 2007: HK\$86.1 million), the total gains of HK\$3,764.0 million (year ended 31st December, 2007: HK\$974.8 million) were recognised for the Year. In addition to the profit recognised in the consolidated income statement, a deduction of fair value changes on listed equity securities of available-for-sale investments of HK\$4,501.1 million (year ended 31st December, 2007: addition of HK\$4,505.8 million) was recognised to the securities investments reserve during the Year.

In respect of the performance of other listed held-for-trading investments and treasury products, the Group had recorded loss of HK\$77.0 million (year ended 31st December, 2007: profit of HK\$344.0 million) and HK\$73.5 million (year ended 31st December, 2007: profit of HK\$225.3 million) before and after finance costs respectively. The components in the consolidated income statement for the Year were gross loss of HK\$116.1 million (year ended 31st December, 2007: profit of HK\$182.7 million), unrealised gain of HK\$26.4 million (year ended 31st December, 2007: HK\$26.0 million), realised loss on equity-linked note of HK\$16.2 million (year ended 31st December, 2007: realised gains on equity-linked note and derivative financial instruments of HK\$68.3 million) and dividend and interest income of HK\$28.9 million (year ended 31st December, 2007: HK\$67.0 million). Net gain on finance costs of HK\$3.5 million (year ended 31st December, 2007: finance cost of HK\$118.7 million) included interest expense and exchange gain in the sum of HK\$4.4 million (year ended 31st December, 2007: HK\$106.4 million) and HK\$7.9 million (year ended 31st December, 2007: loss of HK\$12.3 million) respectively.

Other income recorded an increase of 20.8% to HK\$39.0 million when compared with the same period last year. Administrative expenses decreased by 2.2% to HK\$224.1 million as compared with the same period last year. Finance costs recorded a decrease of 50.8% to HK\$283.2 million as compared with the same period last year.

Other gains and losses recorded a net gain of HK\$10.2 million (year ended 31st December, 2007: losses of HK\$71.7 million), including gains on purchase of convertible bonds of G-Prop (Holdings) Limited (“G-Prop”) and redemption of the remaining convertible bonds of G-Prop and impairment loss recognised in respect of advance to an associate.

The share of results of associates for the Year was a loss of HK\$8.4 million as compared to the profit of HK\$601.4 million for the same period last year, it was mainly due to the decrease in contribution from sales of development properties and decrease in fair value of investment properties.

Discontinued Operation

On 1st February, 2008, G-Prop entered into a conditional agreement with Fame Ascent Investments Limited to dispose the operation in production and sale of methanol (the “Methanol Project”) for approximately HK\$183.7 million. The disposal was completed on 25th July, 2008, following the disposal, the results of Methanol Project was reported as a discontinued operation and presented separately in the consolidated income statement in accordance with Hong Kong Financial Reporting Standard 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Loss, Core Profit, Dividends, Repurchase and Cash Payment

Loss

Loss attributable to equity holders of the parent for the Year (from continuing and discontinued operations) was HK\$1,494.4 million as compared to profit of HK\$8,195.8 million for the same period last year. The loss for the Year was mainly due to the fair value losses on investment properties. Loss per share was HK\$0.67 (year ended 31st December, 2007: earnings of HK\$3.60).

Core Profit

If the net losses on the major non-cash items of HK\$5,943.2 million (2007: gains of HK\$5,463.7 million) are excluded, the Group will have a core profit attributable to equity holders of the parent for the Year of HK\$4,448.8 million (2007: HK\$2,732.1 million) and a core earnings per share of HK\$2.00 (2007: HK\$1.20), an increase of 62.8% and 66.7% over 2007 respectively.

The major non-cash items are fair value losses on investment properties together with their respective deferred tax credit of HK\$6,235.7 million (2007: gains of HK\$5,463.7 million) and credit effect of deferred tax on reduction in tax rate in respect of the fair value changes on investment properties of HK\$292.5 million.

Dividends

A final dividend of HK22.5 cents per share in amount of HK\$517.1 million for the year ended 31st December, 2007 (year ended 31st December, 2006: HK18.0 cents) and an interim dividend of HK13.5 cents per share in amount of HK\$306.2 million for the half year ended 30th June, 2008 (half year ended 30th June, 2007: HK13.5 cents) were paid in cash and in form of new shares in lieu of cash (scrip dividend) during the Year. 90.7% and 9.3% were paid in cash and in scrip dividend respectively for the final dividend as well as 98.7% and 1.3% were paid in cash and in scrip dividend respectively for the interim dividend.

A final dividend and a special dividend have been recommended at HK1 cent (2007: HK22.5 cents) and HK99 cents (2007: nil) per share respectively. Together with interim dividend of HK13.5 cents (2007: HK13.5 cents) per share, the total dividend for the Year is HK113.5 cents (2007: HK36 cents) per share.

Repurchase

During the period from March 2008 to December 2008, the Company has utilised HK\$2,287.9 million (2007: nil) in repurchase of the Company's shares, such amount is equivalent to HK102.7 cents per share, calculated based on weighted average number of shares during the Year.

Cash Payment

Based on (a) the core profit for the Year of HK\$4,448.8 million (2007: HK\$2,732.1 million) or HK\$2.00 (2007: HK\$1.20) per share; (b) the amount utilised for share repurchase during March 2008 to December 2008 of HK\$2,287.9 million or HK102.7 cents per share; and (c) final and special dividends of HK100 cents (2007: HK\$22.5 cents) per share proposed and interim dividend of HK13.5 cents (2007: HK13.5 cents) per share paid for the Year, the ratio of such cash payment to the core profit is 108% (2007: 30%)

Net Asset Value

As at 31st December, 2008, the Group's total net asset to equity holders of the parent amounted to approximately HK\$34,651 million (31st December, 2007: HK\$47,162 million), a decrease of HK\$12,511 million or 26.5% when compared with 31st December, 2007. With the total number of ordinary shares in issue of 2,077,750,079 as at 31st December, 2008 (31st December, 2007: 2,300,443,378 shares), the net asset value per share to equity holders of the parent was HK\$16.68, a decrease of 18.6% over 31st December, 2007 (HK\$20.50). The movement in net asset value was mainly due to (a) loss for the Year of HK\$1,494.4 million; (b) reduction in the reserve for the listed available-for-sale investments of HK\$8,159.0 million; and (c) reduction in share premium for share repurchase of HK\$2,289.2 million.

As at 31st December, 2007, the carrying amount of the cumulative gain on fair value changes of listed equity securities investments in equity as securities investments reserve (the "Listed Equity Securities Investments Reserve") was approximately HK\$8,157.1 million. A reduction in fair value on the listed equity securities investments of approximately HK\$4,501.1 million (year ended 31st December, 2007: addition of approximately HK\$4,505.8 million) was recognised for the Year and a cumulative gain of approximately HK\$3,656.0 million (year ended 31st December, 2007: HK\$890.7 million) was transferred to consolidated income statement upon disposal. The carrying amount of the Listed Equity Securities Investments Reserve as at 31st December, 2008 is HK\$ nil.

Included in the total net asset is net deferred tax liabilities of HK\$3,769 million on fair value gains of investment properties. If the deferred tax liabilities are excluded, the total net asset to equity holders of the parent will become HK\$38,420 million or HK\$18.5 per share.

During the Year, the Group had acquired additional 36.51% interest in G-Prop and acquired and redeemed certain convertible bonds of G-Prop, disposals of certain investment properties and bought and sold listed and unlisted securities investments. Other than the existing projects and those disclosed in the annual report, the Group did not have any future plans for material investment or capital assets.

Securities Investments

As at 31st December, 2007, the listed equity securities investments and treasury products was HK\$11,808.0 million. During the Year, the Group disposed all the listed equity securities investments. As at 31st December, 2008, after adding the fair value gain of HK\$26.4 million, the carrying amount of the treasury products was HK\$24.4 million, which was included in current liabilities.

During the Year, Chi Cheung Investment Company, Limited ("Chi Cheung", a 61.96% subsidiary of the Company) and G-Prop (a 50.20% subsidiary of the Company) acquired various long term floating rate notes and fixed rate notes (the "FRN") in principal amount of US\$28.5 million and EUR3.8 million as available-for-sale investments. The denominated currencies of the FRN are United States dollars and European dollars and the maturity dates are between 2011 to 2016. The interest rates are calculated mainly with reference to the respective country's LIBOR. No hedging for interest rate and foreign currency were subsisted during the Year.

As at 31st December, 2008, the carrying amount of the FRN amounted to HK\$216.7 million, representing 0.42% of the total assets of the Group at the year end.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2008 and 31st December, 2007 were 2,077,750,079 and 2,300,443,378 respectively.

Convertible Bonds

The zero-coupon convertible bonds (the "Bonds") were issued by G-Prop on 25th October, 2007 in a face value of HK\$180 million due in 2010. On 31st October, 2008, G-Prop, upon request of the bondholders, had redeemed the Bonds with principal amount of HK\$180,000,000 (including the Bonds with face value of HK\$108 million held by a wholly-owned subsidiary of the Company) in full at par value by cash. The Bonds so redeemed had been cancelled simultaneously. As at 31st December, 2008, the Group had no outstanding Bonds.

Debt and Gearing

As at 31st December, 2008, the Group's bank and other borrowings amounted to HK\$11,669 million (31st December, 2007: HK\$12,330 million). Cash and deposit at bank amounted to HK\$10,419 million (31st December, 2007: HK\$6,168 million), pledged deposit amounted to HK\$478 million (31st December, 2007: HK\$486 million) and net borrowings amounted to HK\$772 million (31st December, 2007: HK\$5,676 million).

Total debt to equity ratio was 33.1% (31st December, 2007: 25.9%) and net debt to equity ratio was 2.2% (31st December, 2007: 11.9%), which are expressed as a percentage of total borrowings, and net borrowings respectively, over the total equity of HK\$35,303 million (31st December, 2007: HK\$47,666 million).

The decrease in net debt to equity ratio was due to an increase in cash and deposit balances. Increase of cash and deposit balances was mainly due to the disposals of listed available-for-sale investments.

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's bank and other borrowings of HK\$11,669 million, 27.1%, 20.2%, 51.2% and 1.5% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR. No hedging for interest rate and non-Hong Kong dollars assets or investments were subsisted at the end of the year.

Pledge of Assets

As at 31st December, 2008, the Group had pledged the following assets:

- (a) The Group's investment properties, property and other fixed assets, prepaid lease payments, stock of properties and time deposits with their respective carrying amount of approximately HK\$28,643.2 million (31st December, 2007: HK\$37,048.5 million), HK\$60.3 million (31st December, 2007: HK\$47.6 million), HK\$319.6 million (31st December, 2007: HK\$239.2 million), HK\$2,995.2 million (31st December, 2007: HK\$561.9 million) and HK\$149.3 million (31st December, 2007: HK\$485.7 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) As at 31st December, 2008, a cash deposit of HK\$328.7 million was pledged to the Group's financial institutions to secure the derivative financial instruments transaction.

As at 31st December, 2007, the Group's investments held-for-trading with carrying amount of approximately HK\$194.7 million was pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK\$177.5 million.

- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

(d) The Group has subordinated and assigned its advance to an associate and advance to an investee company of approximately HK\$1,275.0 million (31st December, 2007: HK\$1,152.0 million) to financial institutions to secure banking general credit facilities granted to associate and investee company.

Financial and Interest Income/Expenses

Interest income was included in turnover and investment income. Interest income for the Year was HK\$228.4 million, representing a decrease of 15.7% from that of 31st December, 2007 (HK\$270.8 million). Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans and arrangement, facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Year amounted to HK\$274.3 million, representing a 50.5% decrease over the interest expenses of HK\$553.8 million recorded for the same period last year. The decrease in interest expenses was mainly due to decrease in interest rate during the Year. Interest capitalised for the Year was HK\$52.7 million as compared to HK\$101.0 million for last year. The average interest rate over the year under review was 2.63% (2007: 4.81%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies and Share Option Scheme

During the year under review, the Group employed a total of 306 staff (year ended 31st December, 2007: 300 staff) (excluding about a total of 301 staff (year ended 31st December, 2007: 270 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

Mainland China and Macau

Excluding the discontinued operation, profit contribution from the Group's investment in the Mainland China (including gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Year amounted to HK\$116.7 million (year ended 31st December, 2007: HK\$222.8 million). The Group's net investment as at 31st December, 2008 amounted to HK\$6,877.5 million (31st December, 2007: HK\$4,295.4 million) representing approximately 13.3% of the Group's total asset value and 19.8% of the Group's net asset value.

Further, the Group's net investment in Macau as at 31st December, 2008 amounted to HK\$1,665.0 million (31st December, 2007: HK\$1,660.7 million) representing approximately 3.2% of the Group's total asset value.

Listed Subsidiaries

At the year end date, the Group owned 61.96% interest in Chi Cheung.

On 5th February, 2008, the Group acquired 740,518,325 shares of G-Prop, representing 36.51% shareholding, at a consideration of approximately HK\$120.8 million. Accordingly, the Group held 50.20% shareholding of G-Prop and G-Prop became a subsidiary of the Company.

Property Valuation

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent qualified professional valuers, in respect of the Group's investment properties as at 31st December, 2008 and that valuation was used in preparing 2008 year results. The Group's investment properties were valued at HK\$30,303 million (31st December, 2007: HK\$38,498 million), a 20.5% decrease over 2007 after adjusted for additions and disposals of investment properties during the Year. The decrease in fair value of approximately HK\$7,468 million was recognised in the consolidated income statement for the Year. The Group also shared a decrease in fair value of investment properties of the associates of HK\$63 million (net of deferred tax of HK\$14 million) for the Year. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the financial statements.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 89.49% during the Year excluding the renovation area of Windsor House. The occupancy rate achieved 96.11% if non-core and disposed properties are excluded. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's gross rental growth was 25.37% with rental income of HK\$880.9 million for the Year as compared with last year, and the respective increases in retail and non-retail portion have been 22.17% and 32.10%. The increase in gross rental income is mainly attributable to the high reversionary rental rate of the office properties and the completion of renovation work of Silvercord and the first phase of Windsor House in the third quarter of 2007.

During the Year, the average occupancy rates of the shops of Excelsior Plaza – Laforet and Causeway Place were approximately 98.95% and 95.04% respectively.

The first phase renovation of Windsor House was completed in the third quarter of 2007 and the second phase renovation commenced in March 2008. The scope of works include re-layout of basement, ground and first floor, sub-dividing the retail space previously occupied by supermarket, department store and an anchor tenant to provide greater varieties of prime retail shops and specialty restaurants. Portions of the ground floor and first floor have been re-opened in December 2008 and it is anticipated that the renovation work of second phase will be completed by early 2010. The revamped Windsor House will have improved and diversified trade mix.

The renovation work of Silvercord which involves the conversion of the bubble lifts and cinema to shops was completed in the third quarter of 2007. The overall rental income of Silvercord was raised 67.88% for the Year as compared with last year due to the increase in more quality brands, and its average occupancy rate was 96.15% during the Year.

The occupancy rate for the Group's office properties maintained at a satisfactory level throughout the Year. During the Year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 91.70%, 97.04% and 84.13% respectively, bringing the approximate occupancy rate of the overall office portfolio to 91.67%.

The basement construction work of the redevelopment project of Tung Ying Building in Tsim Sha Tsui was completed in October 2008. The superstructure work is in progress. MTR Corporation Limited commissioned to construct a pedestrian subway linking the existing Tsim Sha Tsui MTR Station to, amongst other exits, the future Tung Ying Building under redevelopment. Our redevelopment will benefit from this pedestrian subway and this direct path to the MTR Station will provide a highly accessible link for the shoppers to our redevelopment. Tung Ying Building is to be redeveloped into an integrated shopping and entertainment complex and is expected to be a landmark shopping arcade in Tsim Sha Tsui upon completion scheduled in 2010.

Sun Fair Mansions, 12 Shiu Fai Terrace, a residential site in Mid-Levels East, which is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 39,700 square feet will be redeveloped. Demolition work is in progress.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

The superstructure work of York Place, i.e. the former Tung Sang Building, Wanchai, is in progress. York Place is a brand new residential/retail composite building having 94 units with flat size ranging from gross floor area of approximate 576 square feet to 2,037 square feet. The sale is in progress and 35 units were presold up to 31st December, 2008. The occupation permits are expected to be obtained in March 2009.

The Zenith (87.5% interest) is a two-phase redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. 651 units of phase I were sold up to 31st December, 2008, representing 99.85% of total units. For phase II redevelopment, the master layout plan for the core elements preservation of the existing Wanchai Market has been approved on 4th July, 2008 by the Town Planning Board. Phase II will be a residential/commercial complex development with a gross floor area of approximately 159,700 square feet. Redevelopment work is in progress. Completion of phase II is re-scheduled to end 2013.

MOD 595 is a joint venture project with the Urban Renewal Authority located at Reclamation Street, Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximate 483 square feet to 1,188 square feet. The project was launched in April 2008. A total of 62 units, representing 72.94%, were sold up to 31st December, 2008.

i-home is another joint venture project with Urban Renewal Authority located at Larch Street/Bedford Road in Tai Kok Tsui. It provides a single residential tower block comprises 182 units with flat size ranging from gross floor area of approximate 462 square feet to 1,182 square feet. The whole project is re-scheduled to be completed in early 2009. The pre-sale consent has been obtained in February 2009 and the launching of this project is currently re-scheduled to the first quarter of 2009.

The Group has two joint venture development projects in West Kowloon Reclamation Area. One is located at Hoi Ting Road and junction of Hoi Wang Road and Hoi Ting Road (25% interest). Its foundation work was completed and superstructure work is in progress. Residential and retail properties with a total gross floor area of around 1,095,980 square feet will be developed and the whole project is expected to be completed in end 2010.

The other one is located at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Its foundation work was completed and excavation work is in progress. Residential and retail properties with a total gross floor area of approximately 650,600 square feet will be developed. Completion of the whole project is re-scheduled to 2011.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area about 36,000 square feet which can provide a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. Site formation work was completed and the foundation work is scheduled to be commenced in the second quarter of 2009.

Macau Property Development

The Group is planned to develop the site at Avenida Wai Long, Taipa, Macau (70.01% interest) into a high-end residential project with total gross floor area of approximately 5,786,242 square feet (excluding basement car park). It will comprise 1 serviced apartment tower and 25 residential tower blocks and will be developed in phases. Proposals for site formation and basement excavation works of phase I have been submitted for government's approval and the first phase of the site formation works is scheduled to be commenced in 2009.

Mainland China Property Investment

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex with a 2-storey basement and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces were 90.60% and 73.02% respectively for the Year.

Hilton Beijing (50% interest) maintained an average occupancy rate of 70.03% and achieved a gross operating profit of HK\$164 million for the Year. The expansion of Hilton Beijing by redeveloping the adjacent auditorium into an executive tower was completed in June 2008. The tower has operated since 1st July, 2008.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 96.56% let out as of December 2008.

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was 91.05% for the Year.

Mainland China Property Development

Metropolis Height and Splendid City are residential projects at Dongda Street of Jinjiang District and Yingbin Road of Jinniu District in Chengdu, with respective site area of approximately 194,411 square feet and 795,625 square feet and corresponding gross floor area of approximately 1.65 million square feet and 3.74 million square feet. Metropolis Height is in site formation process, project completion is re-scheduled to mid 2012. Phase I of Splendid City is in superstructure construction process and is expected to be completed in mid 2010.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. The project is in site formation process and is expected to be completed in mid 2012.

The residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), with a site area of 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet, is at design stage.

As the projects in Chengdu and Chongqing are in preliminary stage, development schedules have not been affected and no estimated loss has been incurred to the Group as a result of the Sichuan earthquake in May 2008.

OTHER INFORMATION

Transaction with Chi Cheung Investment Company, Limited (“Chi Cheung”)

On 17th January, 2008, the Group entered into a conditional sale and purchase agreement with Chi Cheung in relation to the acquisition of share interests in and loans to certain subsidiaries of Chi Cheung, subject to the fulfilment of certain conditions precedent (the “Transaction”). All conditions precedent had been fulfilled on 30th September, 2008 and the Transaction was formally completed on the same day.

Shareholding in G-Prop (Holdings) Limited (“G-Prop”)

In February 2008, Mass Rise Limited, a subsidiary of the Company, had acquired 740,518,325 shares of G-Prop, representing 36.51% of shares of G-Prop then in issue, at a consideration of approximately HK\$120.8 million. Accordingly, the Group’s shareholding in G-Prop had been increased from 13.69% to 50.20% and thus G-Prop became a subsidiary of the Company.

PROSPECTS

The global economic downturn has affected most industries in Hong Kong. It is however hopeful that the macro-economic policies being implemented by governments across the globe will soon filter through the economies, leading to recoveries. In particular, with the experience gained from the financial turmoil in 1997, Hong Kong has the potential of being one of the earliest economies to recover. Meanwhile, although anticipated to grow at a slower pace, the economic growth of Mainland China is still expected to be the higher one in the World through her effective and innovative policies.

While this year is set to be a challenging one, the Group remains optimistic in its core businesses, albeit not without caution. The Group expects its property development business in Hong Kong will benefit from low interest rate and particularly prime locations of its main properties for sale. The Group will continue to strengthen the value of its investment properties and enhance returns through redevelopment and renovation, such as Tung Ying Building and Windsor House. The Group considers that the current market sentiment would offer opportunities for the Group to further strengthening its land bank for development projects in Hong Kong and Mainland China.

The Board will continue to review the share price of the Company and its underlying net asset value regularly and would repurchase its shares on the Stock Exchange, as and when the share price represents a significant discount to its net asset value.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Year, the Company has applied the principles of the Code on Corporate Governance Practices (the “Code”) and complied with the code provisions and certain recommended best practices (the “Best Practices”) set out in the Code contained in Appendix 14 to the Listing Rules, except the following deviations:-

Chairman and Chief Executive Officer

Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), acts as both the chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises one Executive Director, two Non-executive Directors and three Independent Non-executive Directors (“INEDs”), with INEDs representing 50% of the Board, which is higher than the Best Practices. Such a high percentage of INEDs in the Board could ensure their views carry significant weight and it reflects a strong independence element in the composition of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and CEO, the Board’s decision could be made effectively and it is beneficial to the management and development of the Group’s businesses. The Board would still consider segregation of the roles of Chairman and CEO if and when appropriate.

Chairman Attending Annual General Meeting

Mr. Joseph Lau, the Chairman of the Board, suffered from illness and therefore could not attend the Annual General Meeting of the Company held on 15th May, 2008 (“AGM”). Mr. Lau, Ming-wai, being the then Executive Director of the Company, was elected as the Chairman of the AGM and Mr. Chan, Kwok-wai, chairman of audit and remuneration committees, had attended the AGM to ensure effective communication with the shareholders of the Company.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (“Model Code”). All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (“Relevant Employees”) who, because of office or employment, is likely to be in possession of unpublished price-sensitive information in relation to the Group’s or its respective subsidiaries’ securities have been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the said code during the Year.

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

During the Year, the Company purchased a total of 226,873,000 ordinary shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$2,287,860,250. All of the purchased shares were cancelled.

Month of the purchases	Total number of the ordinary shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
March 2008	1,959,000	11.70	11.40	22,810,560
May 2008	2,820,000	13.30	13.10	37,355,040
June 2008	11,888,000	11.80	10.72	134,170,860
July 2008	19,546,000	12.12	11.16	223,825,360
August 2008	58,078,000	11.26	10.64	639,076,040
September 2008	94,207,000	10.96	9.04	971,141,110
October 2008	16,917,000	9.48	6.13	137,688,150
November 2008	14,601,000	6.04	4.60	78,652,710
December 2008	6,857,000	6.80	5.47	43,140,420
	226,873,000			2,287,860,250

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

CHANGE IN BOARD LOT SIZE

The Board announces that the board lot size of the shares of the Company ("Shares") trading on the Stock Exchange will be changed from 1,000 Shares to 500 Shares with effect from Monday, 6th April, 2009. The Board believes that the reduced board lot size may facilitate the trading and improve the liquidity of the Shares and enable the Company to attract more investors and broaden its shareholder base. The change in board lot size will not affect the rights of the shareholders of the Company.

Expected Timetable

	<u>2009</u>
First day for free exchange of existing share certificates in board lots of 1,000 Shares for new share certificates in board lots of 500 Shares	Monday, 23 March
Effective date of the change in board lot size from 1,000 Shares to 500 Shares	Monday, 6 April
Original counter for trading in the Shares in board lots of 1,000 Shares becomes counter for trading in the Shares in board lots of 500 Shares (in the form of new share certificates)	9:30 a.m. on Monday, 6 April

Temporary counter for trading in the Shares in board lots of 1,000 Shares (in the form of existing share certificates) opens9:30 a.m. on Monday, 6 April

Parallel trading in Shares (in the form of existing and new share certificates) commences 9:30 a.m. on Monday, 6 April

Temporary counter for trading in the Shares in board lots of 1,000 Shares (in the form of existing share certificates) closes 4:00 p.m. on Tuesday, 28 April

Parallel trading in Shares (in the form of existing and new share certificates) ends4:00 p.m. on Tuesday, 28 April

Last day for free exchange of existing share certificates in board lots of 1,000 Shares for new share certificates in board lots of 500 Shares Thursday, 30 April

Shareholders of the Company may submit their existing share certificates in board lots of 1,000 Shares to the Company's Branch Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for new share certificates in board lots of 500 Shares free of charge during business hours from Monday, 23rd March, 2009 to Thursday, 30th April, 2009 (both dates inclusive). Such exchange of share certificates thereafter will be accepted only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lots of 500 Shares issued or each existing share certificate submitted, whichever number of share certificate involved is higher. It is expected that the new share certificates will be available for collection from the Company's Branch Registrar and Transfer Office as aforesaid by the shareholders of the Company within 10 business days after delivery of the existing share certificates to the Company's Branch Registrar and Transfer Office for exchange purpose.

As from 6th April, 2009, any new share certificates will be issued in board lots of 500 Shares. All existing share certificates in board lots of 1,000 Shares will continue to be good evidence of legal title to such Shares and be valid for delivery, transfer and settlement purposes. New share certificates in board lots of 500 Shares will be issued in the colour of blue which is in the same colour and layout with the existing share certificates.

APPRECIATION

I would like to take this opportunity to thank the shareholders for their continuing support. I also thank my fellow directors and staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 16th March, 2009

As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>

This announcement may be viewed and downloaded from the website of the Stock Exchange at <http://www.hkexnews.hk> or the Company's website at <http://www.chineseestates.com>.

The financial highlights will also be published in The Standard on 17th March, 2009.