# 金朝陽集團有限公司
# SOUNDWILL HOLDINGS LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)
(股份代號 Stock Code：878)

# 2008
## Annual Report 年報

# Contents

# Corporate Information

## DIRECTORS

**Executive Directors:**

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling
TSE Chun Kong, Thomas
KWAN Chai Ming

**Non-Executive Directors:**

LIANG Yanfeng, *Non-Executive Vice Chairman*
MENG Qinghui

**Independent Non-Executive Directors:**

HENG Kwoo Seng *(retired on 23 May 2008)*
KWAN Kai Cheong
HO Suk Yin
TSIM Tak Po *(appointed on 15 August 2008 and resigned on 16 December 2008)*
CHAN Kai Nang *(appointed on 11 March 2009)*

## COMPANY SECRETARY

KWAN Chai Ming

## QUALIFIED ACCOUNTANT

LAU Chan Wing, Raymond

## AUDITORS

Grant Thornton
*Certified Public Accountants*

## LEGAL ADVISORS

Lo, Wong & Tsui
Conyers Dill & Pearman

## WEBSITE

www.soundwill.com.hk

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## PRINCIPAL BANKS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM08
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

The overall economy remained stable during the first half of 2008, but in the second half of the year, the local financial and real estate markets turned quiet as the economy stepped into recession under the global financial tsunami. Nevertheless, the Group leveraged on its solid foundation built over the years and managed to record a desirable rental income of properties during the year under review. The overall results of the Group maintained a steady growth momentum, and reflected a cautiously optimistic outlook for future development.

Affected by the economic environment, investors are looking at the development of the market with a more cautious view and generally become less aggressive than before. However, as the spending power of mainland travelers continues to rise, coupled with the prime location of the flagship property that enjoys high pedestrian traffic, occupancy rate was favourable throughout the year and the Group generated satisfactory rental income.

Taking advantage of its extensive experience in the real estate market, the Group has always been committed to the business of property assembling since its establishment, with a mission of solving the ageing problem in old districts and improving the living standard and quality in the community. During the year, the Group successfully assembled the ownership of various properties in Causeway Bay. Some of the acquired properties were disposed of during year for profit, including the assembling project at Jones Street & Warren Street in Tai Hang. The Group will strive to capture any available opportunity to enrich its investment property portfolio through property assembling.

On the other hand, the Group highly values the importance of social welfare and has been actively participating in various charity activities in an effort to help needy organizations. During the year, the Group was once again awarded the accreditation of "Caring Company" in recognition of its contribution to the community.

# Chairman's Statement


Looking back, 2008 marked a year of challenges. Our success in achieving stable results amidst a severe economic environment was attributable to the dedication of our staff. Looking into the future, the Group will continue to pursue appropriate investment opportunities in both Hong Kong and China, striving to enhance its property assembly business. Simultaneously, we will look to strengthen our financial base with real estate investments and stable rental incomes, reinforce its capital appreciation capability and generate stable long-term return for our shareholders.

**FOO Kam Chu, Grace**, aged 65, is the founder and Chairman of the Group. Madam Foo has extensive experience in property market. She has been engaged in the property business in Hong Kong since early 1970s, particularly specialised in the acquisition of old buildings for redevelopment into commercial or residential buildings. Madam Foo is currently responsible for the Group's overall development direction and strategies. Furthermore, she serves as a standing committee member of Guangzhou Committee of the Chinese People's Political Consultative Conference and has been elected as an honorary citizen of Guangzhou and executive committee member of Guangdong Province (Women) Members Association. She is familiar with the political and economic affairs in the PRC.

**CHAN Wai Ling**, aged 38, is the Executive Director of the Company. She is in charge of the property department and is responsible for the property development and leasing of the Group. She graduated from the University of Toronto, Canada with a bachelor degree in commerce and also obtained a Master of Business Administration Degree from University of Strathclyde, United Kingdom. Before joining the Group in September 1998, she had worked in an international property consultant firm and had operated her own property investment business for more than five years. She is currently the board member of the Executive Board of Entrepreneurs' Organization – Hong Kong Chapter and Trustee of the St. Paul's Convent School Alumni Association Charitable Trust. She is also the daughter of the Group's Chairman.

**TSE Chun Kong**, **Thomas**, aged 47, is the Executive Director in charge of the Group's property investment. Mr. Tse graduated from McMaster University, Canada with a bachelor degree in Civil Engineering, and also obtained his master degree of Business Administration from the City University of New York, USA. He joined the Company in 1997 and has over 20 years experience in the Hong Kong and Mainland property market.

**KWAN Chai Ming**, aged 43, is the Executive Director and Company Secretary of the Company. He graduated from the University of London with an honours bachelor degree in laws. Mr. Kwan is a qualified solicitor in Hong Kong and has 20 years working experience in the legal field. Before joining the Group, he had his private practice in different areas. Mr. Kwan joined the Group in 2000 as Group Legal Adviser and is in charge of the legal and company secretarial department.

**LIANG Yanfeng**, aged 43, has been a Non-Executive Director and non-executive vice-chairman of the Board of the Company since 5 December 2006. Mr. Liang is also an executive director and the managing director of COSCO International Holdings Limited and the non-executive director of Sino-Ocean Land Holdings Limited. Mr. Liang has a Master's degree in Laws and an Executive Master of Business Administration from the Department of Social Science and the School of Economics and Management of Tsinghua University respectively and the Senior Economist qualification awarded by the Ministry of Communications of the PRC. He has extensive experience in corporate management and capital market operation.

# Directors' Profile

**MENG Qinghui**, aged 53, has been a Non-Executive Director of the Board of the Company since 22 April 2003. He is also a non-executive director of COSCO International Holdings Limited, the managing director of Finance Division of COSCO (Hong Kong) Group Limited and the non-executive director of Chong Hing Bank Limited. Mr. Meng graduated from Central South University and has the PRC accountant qualification. He has extensive experience in corporate financial management and accounting and is also familiar with corporate financial planning.

**HENG Kwoo Seng**, aged 61, appointed as Independent Non-Executive Director of the Company on 30 September 2004 and retired on 23 May 2008, is the managing partner of Morison Heng, Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has worked with a number of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") either in the capacity of company secretary or as an independent non-executive director.

**KWAN Kai Cheong**, aged 59, appointed as Independent Non-Executive Director of the Company on 30 September 2004, holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. Mr. Kwan is currently the President of Morrison & Company Limited which is a business consultancy firm and a non-executive director of China Properties Group Limited and JF Household Furnishings Limited which are listed on the Stock Exchange. He is also an independent non-executive director of several other companies listed on the Stock Exchange including Hutchison Harbour Ring Limited and Hutchison Telecommunications International Limited.

**HO Suk Yin**, aged 57, appointed as Independent Non-Executive Director of the Company on 30 September 2004, attained her Master of Business Administration Degree from the University of Santa Barbara California, U. S. A. in 1990/91. She was awarded the Badge of Honour in 1995 and appointed Justice of the Peace since 1996. Ms. Ho is the founder of Relybase Consultants Limited which provides management advice, public relations, training and coaching services in Hong Kong and some provinces in Mainland China. She is currently Council Member of Sir Edward Youde Memorial Fund, Member of the Standing Committee on Language and Research, Member of Municipal Services Appeals Board and Member of Witness Protection Review Board and Member of the Railway Objections Hearing Panel.

**TSIM Tak Po**, aged 55, appointed as Independent Non-Executive Director of the Company on 15 August 2008 and resigned on 16 December 2008, holds a Bachelor of Science degree from the University of Leicester, United Kingdom. Mr. Tsim has been honoured by the Government of Guangdong Province of the People's Republic of China as an Outstanding Entrepreneur and is now consultant to many Hong Kong and international companies advising on corporate business strategies, operational and financial re-structuring of business entitles and property investment.

**CHAN Kai Nang**, aged 63, appointed as Independent Non-Executive Director of the Company on 11 March 2009, received a Postgraduate Diploma in Management Studies from The University of Hong Kong and Bachelor of Laws from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the UK and a fellow member of The Association of Chartered Certified Accountants in the UK and The Hong Kong Institute of Certified Public Accountants. Mr. Chan has been a top level executive with substantial experience in major multinational and local corporations. He had been the regional controller and senior executive of these corporations for many years. Mr. Chan was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) and managing director of K. Wah Construction Materials Limited. The shares of the above-named Company are listed on the Stock Exchange. He is currently an adviser of K. Wah Construction Materials Limited.

## OPERATIONS REVIEW

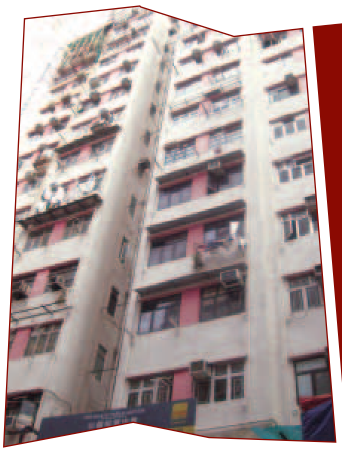
### Property Assembling Business

During the year, the Group aggressively developed its business in property assembling. The Group completed the disposal of 11-15A Lin Fa Kung Street East and the street-level shops at The Jolly House, 16 Lin Fa Kung Street West, Tai Hang in September last year, generating a net gain of approximately HK$57,000,000 which was accounted for in the second half of the year. In February 2009, the Group also completed the transactions for properties on Jones Street and Warren Street in Tai Hang, and the related profits contribution will be booked into the accounts during the first half of 2009.

### Property Leasing

Located in the golden shopping and recreation section of Causeway Bay, Soundwill Plaza enjoys superior geographic advantages. During the year, the occupancy rate reached 99% and the rental income for the year increased by 18% as compared with last year to HK$173,000,000. The Group also captured the opportunity to introduce internationally renowned brands, thereby upgrading the tenant portfolio, adding novel elements and expanding the customer base of Soundwill Plaza.

### Property Development



The Group successfully consolidated the ownership of the Hang Tang House redevelopment project at 7-19 Tang Lung Street, Causeway Bay during the first half of 2008. It is planned that the project will proceed along with the adjacent site for the construction of a new commercial building of Ginza style that will house a dining mall with international cuisines. It is also planned that trendy brands will be introduced into the shopping mall for additional attraction. The building will have a total floor area of approximately 113,700 square feet. The Group also plans to assemble and redevelop the 13-27 Warren Street project in Tai Hang into a new luxury residential building with a total floor area of approximately 81,000 square feet, which will provide a number of luxury units.

### Business in Mainland China

During the year under review, the Group's business in Mainland China recorded steady performance, with the urban infrastructure development business expanding into a number of cities in Mainland. In 2009, the Group also plans to cooperate with a real estate development company in Zhuhai for the joint development of a new luxury residential project in Doumen.

## OPERATIONS REVIEW *(Continued)*

### Property Management, E & M and Building Maintenance

The Group has four property management and maintenance entities. These entities are engaged in property management and facility maintenance service for large-scale commercial buildings, small and medium-sized residential properties, estates and shopping malls, enhancing the market values of the properties with its superb property management and maintenance service. Revenue from these four entities during the year amounted to HK$15,432,000, representing an increase of 2% as compared to that of the previous year.

### Corporate Citizen

During the year, in addition to its efforts in increasing the profitability and return to shareholders, the Group is also dedicated to contributing to society. The Group has helped in various charity activities, including assisting Senior Citizen Home Safety in holding a charity sale. The Group has participated in the charity fundraising of Yan Oi Tong "商界翹楚顯仁愛" and came up as the second runner-up in the fundraising competition. Upholding the principle of helping the poor and serving the community, the Group was awarded the accreditation of "Caring Company" 2008/09 for the second consecutive year, further enhancing the public image of the Group.

商界展關懷
caringcompany 2008/09
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

## PROSPECTS

Despite that the Hong Kong economy showed signs of recession in 2008 under the influence of the global financial tsunami, the local economic fundamentals remained sound. The promulgation of Plan Outline of Reformation and Development of the Pearl River Delta Region (《珠江三角地區改革發展規劃綱要》), an effort to promote the economic, cultural and transportation cooperation amongst Guangdong, Hong Kong and Macau, is anticipated to favour the prosperity of the three places. Although the market will continue to fluctuate in the near future, causing pressure on the rental or price levels of the Group's properties, the promulgation of favourable policies is expected to stabilize the economy in the second half of 2009 with steady activities in terms of real estate transactions.

On the other hand, the Hong Kong economy benefited from the flamboyant financial market at the beginning of last year, which in turn fueled the strong growth in the retail industry. During the year, Soundwill Plaza, flagship property of the Group, recorded satisfactory rental incomes and contributed a stable income to the Group. However, as the economy headed downwards in the third quarter, retailers experienced a comparatively difficult operating environment against weak consumer sentiments, it is anticipated that the rental increment for commercial buildings may be weaken in general. However, the Group will further stabilize its property rental income through restructuring the tenant portfolio of Soundwill Plaza, attracting more world-renowned international brands to enhance the image and development advantages of the property. In 2009, approximately 40% of the leases will expire and it is anticipated that the rental return will remain at existing level upon lease renewal.

**PROSPECTS** *(Continued)*

In the long run, the Group is optimistic for the development of the property assembling business. It is expected that the Group will complete the acquisition of individual redevelopment site in 2009, and proceed to self-redevelopment or re-sale of the projects so acquired. In the meantime, capitalizing on the investment opportunities brought by the deflating property prices, the Group will build up its land reserve at a lower cost in order to consolidate its portfolio of investment properties and enhance the profit contributions to the Group.

Looking forward, the Group holds an optimistic view for the long-term economic growth in both Hong Kong and the PRC. It is anticipated that the market in the mainland will continue to present more business opportunities to the Group as the PRC government actively stimulates the domestic demand market. In spite of many rigorous challenges forthcoming in 2009, we believe that our solid foundation established through the years will synergize with our cautious investment strategies and diversification efforts, propelling steady growth of the Group's business under a recessive global economy.

## FINANCIAL REVIEW

For the year ended 31 December 2008, the Group has achieved a profit attributable to equity holders of the Company of HK$162,471,000 (2007: HK$1,063,285,000), a decrease of 85% as compared with last year. The decrease was mainly due to a decrease of HK$871,003,000 for net gain on fair value adjustment on investment properties (net of deferred tax) as compared with last year. Earnings per share was HK$0.70 (2007: HK$4.76), representing a decrease of 85% over last year.

If the net gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the profit attributable to equity holders of the Company for the year would be HK$131,545,000 (2007: HK$161,708,000), representing a decrease of about 19% as compared with last year.

For the year ended 31 December 2008, the Group has recorded a turnover of HK$338,991,000 (2007: HK$464,673,000), representing a decrease of about 27% over last year. This was mainly due to a decrease of HK$161,428,000 in the revenue from the property assembly business in Hong Kong. The Group's gross profit for the year amounted to HK$266,891,000 (2007: HK$288,673,000), representing a decrease of about 7.5% as compared with last year.

## SIGNIFICANT INVESTMENTS HELD

On 3 September 2008, the Group disposed of its investment proper ties located at Nos. 11-15A Lin Fa Kung Street East and Shops 1, 2, 3, 5, 6, 7, 8, 9 on Ground Floor, The Jolly House, 16 Lin Fa Kung Street West at a consideration of HK$115 million. The transaction brings along with a net gain of approximately HK$57,000,000.

As announced on 12 November 2008, the Group has entered into supplemental sales and purchase agreement to dispose of its investment property located at Nos. 1-11 Jones Street and Nos. 3-11 Warren Street at a consideration of HK$423,000,000. The transaction is duly completed on 27 February 2009. The transaction brings along with a net gain of approximately HK$137,278,000.

Save as mentioned above, there is no change in the significant investments held by the Group during the year.

## DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, there was no material acquisitions and disposals of subsidiaries by the Group.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2008, the Group's bank and other borrowings and convertible bond amounted to HK$2,420,391,000 (2007: HK$1,890,639,000). Cash and bank balances amounted to HK$328,922,000 (2007: HK$81,220,000) and net borrowings amounted to HK$2,091,469,000 (2007: HK$1,809,419,000).

The Group's gearing ratio (which was expressed as a percentage of bank and other borrowings over the shareholders' funds) has been increased from 51% in 2007 to 62% in 2008.

Although there was an increase in bank loans which were raised for property acquisitions during the year, the interest expenses for the year has been decreased from HK$88,820,000 in 2007 to HK$61,419,000 in 2008. This was mainly due to a lower interest rate environment during the year. The average cost of borrowings over the year was 2.85% (2007: 5.43%) which was expressed as a percentage of total interest expenses over the average total borrowings.

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. The continuous appreciation of Renminbi had a positive effect to the Group's results. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation.

During the year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

As at 31 December 2008, all the Group's borrowings were on a floating rates basis.

As at 31 December 2008, the Group's total net assets amounted to approximately HK$3,873,021,000 (2007: HK$3,677,429,000), an increase of HK$195,592,000 or 5.3% when compared with last year. With the total number of ordinary shares in issue of 239,184,135 (2007: 223,827,816) as at 31 December 2008, the net asset value per share was HK$16.19 (2007: HK$16.43).

## CHARGES ON THE GROUP'S ASSETS

As at 31 December 2008, investment properties, properties held for sale and properties under development of the Group with a total carrying value of approximately HK$6,518,522,000 (2007: approximately HK$5,725,517,000) were pledged to secure banking facilities for the Group.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2008.

## EMPLOYEES REMUNERATION

The Group had 65 employees and 126 employees in Hong Kong and Mainland China respectively as at 31 December 2008. Total salaries and wages incurred during the year amounted to approximately HK$37,517,000 (2007: approximately HK$42,704,000). Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the year, share options were also granted to various directors and employees on a performance related basis.

The Company has adopted the code provision set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## BOARD OF DIRECTORS

The board of directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

### Board Composition

The Board was made up of the following directors who, unless otherwise indicated, served throughout the year under review:

***Executive directors:***

Madam Foo Kam Chu, Grace
Ms. Chan Wai Ling
Mr. Tse Chun Kong, Thomas
Mr. Kwan Chai Ming

***Non-executive directors:***

Mr. Liang Yanfeng
Mr. Meng Qinghui

***Independent non-executive directors:***

Mr. Heng Kwoo Seng *(retired on 23 May 2008)*
Mr. Tsim Tak Po *(appointed on 15 August 2008 and resigned on 16 December 2008)*
Mr. Kwan Kai Cheong
Ms. Ho Suk Yin

### Board Meetings and Attendance

During the year, the Board met five times with attendance as follows:

| **Directors** | **Attendance** |
|---|---|
| Madam Foo Kam Chu, Grace | 5/5 |
| Ms. Chan Wai Ling | 5/5 |
| Mr. Tse Chun Kong, Thomas | 5/5 |
| Mr. Kwan Chai Ming | 5/5 |
| Mr. Liang Yanfeng | 5/5 |
| Mr. Meng Qinghui | 5/5 |
| Mr. Heng Kwoo Seng* | 1/1 |
| Mr. Tsim Tak Po* | 2/2 |
| Mr. Kwan Kai Cheong | 5/5 |
| Ms. Ho Suk Yin | 5/5 |

*Note:**

These directors did not serve the whole year under review. The denominator in the attendance column indicates the number of board meeting they were entitled to attend during their term of service.

The biographies of the directors are set out in pages 5 to 7, which demonstrate a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws (the "Bye-laws"). All directors, including the executive and non-executive directors, shall retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following general meeting and annual general meeting respectively of the Company and shall then be eligible for re-election at such meetings.

## RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all directors, the Company confirms that all the directors have complied with the Model Code.

## SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meeting, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting or board committee meeting.

All directors are entitled to have access to board papers, minutes and related materials.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In determining the remuneration level and packages to the directors and senior management, the Company took into account the prevailing practices and trends and to reflect on the time commitment, duties and responsibilities of the directors and senior management and their contributions to the Company and the Group. Long term inducements in the form of share options and performance bonuses were also employed.

The Remuneration Committee of the Board was set up on 12 September 2005 with written terms of reference.

Its function is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. It also recommends to the Board on remuneration and compensation levels of individual directors and those for members of senior management.

Members of the Remuneration Committee during the year include the following directors:

Mr. Kwan Kai Cheong *(Chairman)*
Mr. Heng Kwoo Seng *(retired on 23 May 2008)*
Mr. Tsim Tak Po *(appointed on 15 August 2008 and resigned on 16 December 2008)*
Ms. Ho Suk Yin
Ms. Chan Wai Ling
Mr. Kwan Chai Ming

During the year, the Remuneration Committee convened three meetings to review and recommend (with the relevant directors where applicable abstained from voting as far as his/her own remuneration is concerned so that no director would decide on his /her own remuneration) the remuneration level of executive directors.

| **Director** | **Attendance** |
|---|---|
| Mr. Kwan Kai Cheong | 3/3 |
| Mr. Heng Kwoo Seng* | 2/2 |
| Mr. Tsim Tak Po* | 1/1 |
| Ms. Ho Suk Yin | 3/3 |
| Ms. Chan Wai Ling | 3/3 |
| Mr. Kwan Chai Ming | 3/3 |

*Note:**

These directors did not serve the Committee the whole year under review. The denominator in the attendance column indicate the number of committee meeting they were entitled to attend during their term of service.

## INTERNAL CONTROL

During the year, the Directors have conducted review of the effectiveness of the internal control system covering material controls, including financial, operational and compliance controls and risk management functions.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting including the interim and final results of the Company. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the audit of the Group.

Members of the Committee during the year include the following independent non-executive directors:

| | |
|---|---|
| Mr. Heng Kwoo Seng *(retired on 23 May 2008)* | *(Chairman)* |
| Mr. Tsim Tak Po *(appointed on 15 August 2008 and resigned on 16 December 2008)* | *(Chairman)* |
| Mr. Kwan Kai Cheong | |
| Ms. Ho Suk Yin | |

Mr. Kwan Kai Cheong, Mr. Heng Kwoo Seng and Mr. Tsim Tak Po are senior professional accountants posses professional accountancy qualification.

During the year, the Audit Committee met twice. The final results for the year ended 31 December 2007 and the interim results for the six months ended 30 June 2008 have been reviewed and commented by the Audit Committee.

| **Director** | **Attendance** |
|---|---|
| Mr. Heng Kwoo Seng* | 1/1 |
| Mr. Tsim Tak Po* | 1/1 |
| Mr. Kwan Kai Cheong | 2/2 |
| Ms. Ho Suk Yin | 2/2 |

*Note:**

These directors did not serve the Committee the whole year under review. The denominator in the attendance column indicate the number of committee meeting they were entitled to attend during their term of service.

## AUDITORS' REMUNERATION

During the year, the fee incurred for audit and non-audit services for the Group are approximately HK$1,677,000 and HK$585,000 respectively.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property assembly, property development, property leasing and provision of building management services in Hong Kong and urban infrastructure development and property development in the Mainland. Other particulars of the subsidiaries are set out in note 50 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 28 to 124.

The Board recommends a payment of a final dividend of HK0.07 (2007: HK$0.07) per share for the year ended 31 December 2008, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 6 July 2009 to shareholders whose names appear on the register of members on 8 June 2009.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 17 to the financial statements.

## SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates are set out in notes 19 and 20 to the financial statements.

## BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in note 33 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 36 to the financial statements.

## RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 34 and in note 37 to the financial statements respectively.

## CONVERTIBLE BOND

Particulars of convertible bond are set out in note 34 to the financial statements.

## SHARE OPTIONS

Particulars of the share options granted are set out in note 38 to the financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 126.

## PROPERTIES

Particulars of the major properties held by the Group are set out on page 125.

## DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 5 to 7.

Pursuant to Bye-law 86 (2) & 87(1), Madam Foo Kam Chu, Grace, Ms. Chan Wai Ling, Mr. Tse Chun Kong Thomas and Mr. Chan Kai Nang, existing directors of the Company, will be retiring from office at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

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

## DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

### 1. Directors' Interests in the Company

As at 31 December 2008, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

***(i) Long positions in the shares:***

| Name of Director | Capacity | Number of Shares | Approximate Percentage of Shareholding |
|---|---|---|---|
| Foo Kam Chu, Grace | Interest of controlled corporation | 170,940,028 *(Note)* | 71.47 |
| | Beneficial owner | 96,000 | 0.04 |
| Tse Chun Kong, Thomas | Interest of Spouse | 6,000 | 0.00 |
| | Beneficial owner | 723 | 0.00 |
| Kwan Chai Ming | Beneficial owner | 30,000 | 0.01 |

*Note:* The 170,940,028 shares are held by Ko Bee Limited, the entire issued share capital of which is held by Madam Foo Kam Chu, Grace.

## DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

### 1. Directors' Interests in the Company *(Continued)*

#### *(ii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):*

| Name | Capacity | Number of Shares in the Option | Exercisable Period | Price of Grant *(HK$)* | Subscription Price per Share *(HK$)* |
|---|---|---|---|---|---|
| Foo Kam Chu, Grace | Beneficial owner | 600,000 | 18/01/2008 to 21/07/2012 | 1.00 | 6.17 |
| | | 600,000 | 27/04/2009 to 21/07/2012 | 1.00 | 1.76 |
| Chan Wai Ling | Beneficial owner | 2,000,000 | 18/01/2008 to 21/07/2012 | 1.00 | 6.17 |
| | | 2,000,000 | 27/04/2009 to 21/07/2012 | 1.00 | 1.76 |
| Tse Chun Kong, Thomas | Beneficial owner | 60,000 | 08/01/2004 to 07/01/2009 | 1.00 | 1.50 |
| | | 90,000 | 06/01/2005 to 05/01/2010 | 1.00 | 1.47 |
| | | 90,000 | 04/01/2006 to 03/01/2011 | 1.00 | 2.38 |
| | | 90,000 | 20/05/2007 to 19/05/2012 | 1.00 | 2.52 |
| | | 90,000 | 18/01/2008 to 21/07/2012 | 1.00 | 6.17 |
| | | 90,000 | 27/04/2009 to 21/07/2012 | 1.00 | 1.76 |
| Kwan Chai Ming | Beneficial owner | 150,000 | 18/01/2008 to 21/07/2012 | 1.00 | 6.17 |
| | | 150,000 | 27/04/2009 to 21/07/2012 | 1.00 | 1.76 |
| Meng Qinghui | Beneficial owner | 60,000 | 08/01/2004 to 07/01/2009 | 1.00 | 1.50 |
| | | 90,000 | 06/01/2005 to 05/01/2010 | 1.00 | 1.47 |
| | | 90,000 | 04/01/2006 to 03/01/2011 | 1.00 | 2.38 |
| | | 90,000 | 20/05/2007 to 19/05/2012 | 1.00 | 2.52 |
| | | 90,000 | 18/01/2008 to 21/07/2012 | 1.00 | 6.17 |
| | | 90,000 | 27/04/2009 to 21/07/2012 | 1.00 | 1.76 |
| Liang Yanfeng | Beneficial owner | 90,000 | 20/05/2007 to 19/05/2012 | 1.00 | 2.52 |
| | | 90,000 | 18/01/2008 to 21/07/2012 | 1.00 | 6.17 |
| | | 90,000 | 27/04/2009 to 21/07/2012 | 1.00 | 1.76 |

## DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

### 2. Directors' Interests in Associated Corporations

| Name of Director | Name of Associated Corporation | Capacity | Number and Class of Shares | Percentage of Shareholding |
|---|---|---|---|---|
| Foo Kam Chu, Grace | Ko Bee Limited | Beneficial owner | 1 ordinary share | 100 |

Save as disclosed above, as at 31 December 2008, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part X V of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part X V of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and notes 34 and 38 to the financial statements, at no time during the year ended 31 December 2008, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part X V of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

### 1. Long positions in the Shares

| Name of Shareholder | Capacity | Number of Shares | Approximate Percentage of Shareholding |
|---|---|---|---|
| Ko Bee Limited | Beneficial owner | 170,940,028 | 71.47 |

Save as disclosed above, as at 31 December 2008, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in (i) the paragraph under the heading of "Directors' Right to Acquire Shares and Debentures" above and (ii) paragraphs (a) to (c) under the heading of "Related Party Transactions" in note 43 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 15% of the Group's purchases were attributable to the Group's largest supplier and approximately 23% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 7% of the Group's turnover were attributable to the Group's largest customer and approximately 25% of the Group's turnover were attributable to the Group's five largest customers.

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 Group's five largest suppliers or customers.

## CONNECTED TRANSACTIONS

During the year, other than those, the disclosure of which is exempted pursuant to Rule 14A.31 and 14A.65 of the Listing Rules (details of such connected transactions being also related party transactions are mentioned in note 43 to the financial statements), there were no other connected transaction (as defined under Chapter 14A of the Listing Rules) entered into.

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

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

## PRE-EMPTIVE RIGHTS

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at 16 April 2009, the latest practicable date prior to the issue of this annual report.

## AUDITORS

The financial statement accompanying this Annual Report have been audited by Messrs. Grant Thornton, Certified Public Accountants ("GT"). GT was appointed on 3 April 2003 as auditors of the Company.

GT had resigned as auditors of the Company and its subsidiaries with effect from 12 January 2006 and was re-appointed as the Company's auditor in the special general meeting convened on 28 March 2006.

A resolution for their re-appointment will be submitted to the forthcoming annual general meeting of the Company to be held on 8 June 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 June 2009 to Monday, 8 June 2009 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 29 May 2009.

By order of the Board
**Foo Kam Chu, Grace**
*Chairman*

Hong Kong, 16 April 2009

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Member of Grant Thornton International Ltd

**To the members of Soundwill Holdings Limited 金朝陽集團有限公司**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Soundwill Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 124, which comprise the consolidated and company balance sheets as at 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

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## AUDITORS' RESPONSIBILITY *(Continued)*

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

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

## OPINION

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

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

16 April 2009

# Consolidated Income Statement

*For the year ended 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Revenue/Turnover** | 5 | **338,991** | 464,673 |
| Cost of sales | | **(72,100)** | (176,000) |
| **Gross profit** | | **266,891** | 288,673 |
| Other income | 5 | **3,985** | 5,853 |
| Administrative expenses | | **(76,579)** | (77,349) |
| Other operating expenses | | **(16,293)** | (9,544) |
| Loss on disposal of subsidiaries | 45 | **—** | (33) |
| Net (loss)/gain on fair value adjustments on investment properties | 15 | **(135)** | 1,092,820 |
| Provision for impairment on properties held for development | 18 | **(656)** | — |
| Write-down of properties held for sale to net realisable value | 26 | **(1,143)** | (4,006) |
| Gain on disposal of investment properties | 15 | **33,601** | 62,552 |
| Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition | 46(b) | **13,269** | — |
| Provision for impairment of intangible assets | 23 | **(6,717)** | — |
| **Profit from operations** | | **216,223** | 1,358,966 |
| Finance costs | 7 | **(61,419)** | (88,820) |
| Share of profits less losses of: | | | |
| — associates | | **13** | (11) |
| — a jointly-controlled entity | | **(31)** | (27) |
| **Profit before income tax** | 8 | **154,786** | 1,270,108 |
| Income tax credit/(expense) | 11 | **4,656** | (207,170) |
| **Profit for the year** | | **159,442** | 1,062,938 |
| **Attributable to:** | | | |
| Equity holders of the Company | 12 | **162,471** | 1,063,285 |
| Minority interests | | **(3,029)** | (347) |
| **Profit for the year** | | **159,442** | 1,062,938 |
| **Dividends** | 13(a) | **16,747** | 15,668 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | 14 | | |
| — Basic | | **HK$0.70** | HK$4.76 |
| — Diluted | | **HK$0.68** | HK$4.46 |

# Consolidated Balance Sheet

*As at 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment properties | 15 | **6,083,771** | 5,380,282 |
| Operating lease prepayment | 16 | **11,523** | 11,537 |
| Property, plant and equipment | 17 | **39,655** | 31,805 |
| Properties held for development | 18 | **107,644** | 51,147 |
| Interests in associates | 20 | **113** | 100 |
| Interests in a jointly-controlled entity | 21 | **24,593** | 23,909 |
| Available-for-sale financial assets | 22 | **11** | 11 |
| Intangible assets | 23 | **7,230** | 14,083 |
| Goodwill | 24 | **—** | — |
| Deposit for property development | | **10,461** | — |
| | | **6,285,001** | 5,512,874 |
| **Current assets** | | | |
| Inventories | 25 | **32,708** | 24,470 |
| Properties held for sale | 26 | **279,480** | 637,884 |
| Properties under development | 27 | **278,616** | — |
| Trade and other receivables | 28 | **70,579** | 78,130 |
| Available-for-sale financial assets | 22 | **19,687** | — |
| Deposits paid for acquisition of properties | | **19,046** | 66,462 |
| Amount due from a minority shareholder | 29 | **5,427** | — |
| Bank deposit at escrow account | 30 | **197,452** | 15,168 |
| Cash and cash equivalents | 31 | **131,470** | 66,052 |
| | | **1,034,465** | 888,166 |
| **Current liabilities** | | | |
| Trade and other payables | 32 | **292,202** | 86,660 |
| Current portion of borrowings | 33 | **707,441** | 506,008 |
| Convertible bond | 34 | **—** | 23,355 |
| Provision for income tax | | **19,152** | 10,092 |
| | | **1,018,795** | 626,115 |
| **Net current assets** | | **15,670** | 262,051 |
| **Total assets less current liabilities** | | **6,300,671** | 5,774,925 |

# Consolidated Balance Sheet

*As at 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 33 | **1,712,950** | 1,361,276 |
| Deferred tax liabilities | 35 | **714,700** | 736,220 |
| | | **2,427,650** | 2,097,496 |
| **Net assets** | | **3,873,021** | 3,677,429 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | 36 | **23,918** | 22,383 |
| Reserves | 37 | **3,815,631** | 3,632,994 |
| | | **3,839,549** | 3,655,377 |
| Minority interests | | **33,472** | 22,052 |
| **Total equity** | | **3,873,021** | 3,677,429 |

**Foo Kam Chu, Grace**
*Director*

**Chan Wai Ling**
*Director*

# Balance Sheet

*As at 31 December 2008*

| | Notes | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Interests in subsidiaries | 19 | **591,449** | 591,449 |
| **Current assets** | | | |
| Other receivables | | **292** | 234 |
| Bank balances and cash | | **31** | 21 |
| | | **323** | 255 |
| **Current liabilities** | | | |
| Amounts due to subsidiaries | 19 | **29,399** | 22,545 |
| Accrued expenses and other payables | | **311** | 457 |
| Convertible bond | 34 | **—** | 23,355 |
| | | **29,710** | 46,357 |
| **Net current liabilities** | | **(29,387)** | (46,102) |
| **Net assets** | | **562,062** | 545,347 |
| **EQUITY** | | | |
| Share capital | 36 | **23,918** | 22,383 |
| Reserves | 37 | **538,144** | 522,964 |
| **Total equity** | | **562,062** | 545,347 |

**Foo Kam Chu, Grace**
*Director*

**Chan Wai Ling**
*Director*

# Consolidated Cash Flow Statement

*For the year ended 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **154,786** | 1,270,108 |
| Adjustment for: | | | |
| Share of profit less losses of associates | | **(13)** | 11 |
| Share of profit less losses of a jointly-controlled entity | | **31** | 27 |
| Bank interest income | | **(1,575)** | (1,298) |
| Write-back of long outstanding payables | | **(446)** | (1,696) |
| Interest expenses | | **61,419** | 88,820 |
| Depreciation of property, plant and equipment | | **2,744** | 2,333 |
| Amortisation of operating lease prepayment | | **14** | 14 |
| Amortisation of properties held for development | | **1,899** | 990 |
| Amortisation of intangible assets | | **897** | 801 |
| Equity-settled share based payment expenses | | **2,175** | 13,079 |
| Provision for obsolete inventories | | **4,307** | 5,301 |
| Provision for impairment of trade receivables | | **4,464** | 144 |
| Provision for impairment of other receivables | | **1,077** | — |
| Provision for impairment of amounts due from associates | | **—** | 2,742 |
| Bad debts written off | | **30** | 7 |
| Write-back of overprovision for doubtful debts | | **(78)** | — |
| Loss on disposal of property, plant and equipment | | **151** | — |
| Net loss/(gain) on fair value adjustments on investment properties | | **135** | (1,092,820) |
| Provision for impairment of intangible assets | | **6,717** | — |
| Provision for impairment of goodwill | | **4,168** | — |
| Provision for impairment on properties held for development | | **656** | — |
| Write-down of properties held for sale to net realisable value | | **1,143** | 4,006 |
| Gain on disposal of investment properties | | **(33,601)** | (62,552) |
| Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition | *46(b)* | **(13,269)** | — |
| Loss on disposal of subsidiaries | | **—** | 33 |
| Operating profit before working capital changes | | **197,831** | 230,050 |
| Decrease/(Increase) in trade and other receivables | | **3,105** | (13,705) |
| Decrease/(Increase) in deposits paid for acquisition of properties | | **47,416** | (33,784) |
| Increase in inventories | | **(12,545)** | (3,162) |
| Increase in properties held for sale | | **(229,376)** | (590,385) |
| Increase in properties under development | | **(278,616)** | — |
| Increase in bank deposit at escrow account | | **(182,284)** | (15,168) |
| Increase in trade and other payables | | **204,350** | 3,211 |
| Net cash used in operations | | **(250,119)** | (422,943) |
| Interest paid | | **(65,589)** | (88,820) |
| Income tax paid | | **(15,920)** | (7,857) |
| *Net cash used in operating activities* | | **(331,628)** | (519,620) |

# Consolidated Cash Flow Statement

*For the year ended 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | **(5,342)** | (1,836) |
| Capital injection from minority shareholders | | **360** | 150 |
| Advance to a minority shareholder | | **(5,427)** | — |
| Dividend paid to a minority shareholder of a subsidiary | | **(278)** | — |
| Increase in amounts due from associates | | **—** | (22) |
| Increase in amount due from a jointly-controlled entity | | **(715)** | (5,627) |
| Proceeds from disposal of property, plant and equipment | | **—** | 715 |
| Proceeds from disposal of investment properties | | **71,451** | 91,000 |
| Payment to acquire investment properties | | **(150,667)** | (75,040) |
| Payment to acquire properties held for development | | **(19,799)** | (17,896) |
| Deposit for property development | | **(686)** | — |
| Increase in available-for-sale financial assets | | **(5,977)** | — |
| Net cash outflow from acquisition of subsidiaries | 46(a),(b) | **(21,447)** | — |
| Purchase of net assets, net of cash acquired | 46(c) | **(9,645)** | — |
| Bank interest received | | **1,575** | 1,298 |
| *Net cash used in investing activities* | | **(146,597)** | (7,258) |
| **Cash flows from financing activities** | | | |
| Repayments of bank loans | | **(701,522)** | (995,024) |
| Repayments of other loans | | **(27,899)** | (60,907) |
| Bank loans raised | | **1,251,307** | 1,539,341 |
| Other loans raised | | **30,538** | 25,628 |
| Proceeds from exercise of share options | | **2,510** | 2,871 |
| Final dividend paid | | **(15,668)** | (11,191) |
| *Net cash generated from financing activities* | | **539,266** | 500,718 |
| **Increase/(Decrease) in cash and cash equivalents** | | **61,041** | (26,160) |
| **Cash and cash equivalents at 1 January** | | **66,052** | 88,509 |
| **Effect of foreign exchange rate changes, net** | | **4,377** | 3,703 |
| **Cash and cash equivalents at 31 December** | | **131,470** | 66,052 |

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2008*

| | Equity attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Asset revaluation reserve *HK$'000* | Other equity reserve *HK$'000* | Employee share-based equity reserve *HK$'000* | Retained profits *HK$'000* | Exchange reserve *HK$'000* | Special reserve *HK$'000* | Proposed final dividend *HK$'000* | Minority interests *HK$'000* | Total equity *HK$'000* |
| At 1 January 2008 | 22,383 | 260,409 | 20,691 | 94 | 13,582 | 3,312,181 | 8,521 | 1,848 | 15,668 | 22,052 | 3,677,429 |
| Surplus on revaluation of leasehold building *(note 17)* | – | – | 4,956 | – | – | – | – | – | – | – | 4,956 |
| Deferred tax liabilities arising from asset revaluation reserve of leasehold building *(note 35)* | – | – | (818) | – | – | – | – | – | – | – | (818) |
| Currency translation difference | – | – | – | – | – | – | 5,140 | – | – | – | 5,140 |
| Net income recognised directly in equity | – | – | 4,138 | – | – | – | 5,140 | – | – | – | 9,278 |
| Profit for the year | – | – | – | – | – | 162,471 | – | – | – | (3,029) | 159,442 |
| Total recognised income and expense for the year | – | – | 4,138 | – | – | 162,471 | 5,140 | – | – | (3,029) | 168,720 |
| Exercise of share options | 120 | 3,295 | – | – | (905) | – | – | – | – | – | 2,510 |
| Equity-settled share based payment *(note 38)* | – | – | – | – | 2,175 | – | – | – | – | – | 2,175 |
| Conversion of convertible bond *(note 34)* | 1,415 | 22,085 | – | (94) | – | – | – | – | – | – | 23,406 |
| Final dividend paid for 2007 *(note 13(b))* | – | – | – | – | – | – | – | – | (15,668) | – | (15,668) |
| Proposed final dividend for 2008 *(note 13(a))* | – | – | – | – | – | (16,747) | – | – | 16,747 | – | – |
| Capital injection from minority shareholders | – | – | – | – | – | – | – | – | – | 360 | 360 |
| Acquisition of a subsidiary *(note 46(b))* | – | – | – | – | – | – | – | – | – | 14,367 | 14,367 |
| Dividend paid to minority shareholder by a subsidiary | – | – | – | – | – | – | – | – | – | (278) | (278) |
| **At 31 December 2008** | **23,918** | **285,789** | **24,829** | **–** | **14,852** | **3,457,905** | **13,661** | **1,848** | **16,747** | **33,472** | **3,873,021** |

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2008*

| | Equity attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Asset revaluation reserve *HK$'000* | Other equity reserve *HK$'000* | Employee share-based equity reserve *HK$'000* | Retained profits *HK$'000* | Exchange reserve *HK$'000* | Special reserve *HK$'000* | Proposed final dividend *HK$'000* | Minority interests *HK$'000* | Total equity *HK$'000* |
| At 1 January 2007 | 22,266 | 256,548 | 19,101 | 94 | 1,705 | 2,264,521 | 3,071 | 1,848 | 11,139 | 22,249 | 2,602,542 |
| Surplus on revaluation of leasehold building *(note 17)* | – | – | 1,928 | – | – | – | – | – | – | – | 1,928 |
| Deferred tax liabilities arising from asset revaluation reserve of leasehold building *(note 35)* | – | – | (338) | – | – | – | – | – | – | – | (338) |
| Currency translation difference | – | – | – | – | – | – | 5,450 | – | – | – | 5,450 |
| Net income recognised directly in equity | – | – | 1,590 | – | – | – | 5,450 | – | – | – | 7,040 |
| Profit for the year | – | – | – | – | – | 1,063,285 | – | – | – | (347) | 1,062,938 |
| Total recognised income and expense for the year | – | – | 1,590 | – | – | 1,063,285 | 5,450 | – | – | (347) | 1,069,978 |
| Exercise of share options | 117 | 3,861 | – | – | (1,107) | – | – | – | – | – | 2,871 |
| Lapse of share option *(note 38)* | – | – | – | – | (95) | 95 | – | – | – | – | – |
| Equity-settled share based payment *(note 38)* | – | – | – | – | 13,079 | – | – | – | – | – | 13,079 |
| Underprovision for final dividend for 2006 | – | – | – | – | – | (52) | – | – | 52 | – | – |
| Final dividend paid for 2006 *(note 13(b))* | – | – | – | – | – | – | – | – | (11,191) | – | (11,191) |
| Proposed final dividend for 2007 *(note 13(a))* | – | – | – | – | – | (15,668) | – | – | 15,668 | – | – |
| Capital injection from minority shareholders | – | – | – | – | – | – | – | – | – | 150 | 150 |
| **At 31 December 2007** | 22,383 | 260,409 | 20,691 | 94 | 13,582 | 3,312,181 | 8,521 | 1,848 | 15,668 | 22,052 | 3,677,429 |

## 1. GENERAL INFORMATION

Soundwill Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 50 to the financial statements.

The directors of the Company (the "Directors") consider the Company's ultimate holding company to be Ko Bee Limited, which is incorporated in the British Virgin Islands with limited liability.

The financial statements on pages 28 to 124 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 16 April 2009.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

| | |
|---|---|
| HKAS 39 (Amendments) | Reclassification of Financial Assets |
| HK(IFRIC) — Int 11 | HKFRS 2: Group and Treasury Share Transactions |

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
6 Effective for annual periods ending on or after 30 June 2009
7 Effective for transfer received on or after 1 July 2009

## 2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

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

Among these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial positions.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

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

The financial statements have been prepared on the historical cost convention except for the revaluation of investment properties, leasehold building and certain financial assets and liabilities which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

### 3.3 Subsidiaries and minority interests

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable 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. They are excluded from consolidation from the date that control ceases.

Business combinations are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned by the Group and are not the Group's financial liabilities.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.3 Subsidiaries and minority interests *(Continued)*

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

### 3.4 Associates/Jointly-controlled entity

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% to 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investments in associates is initially recognised at cost and subsequently accounted for using the equity method.

A jointly-controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exist only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

Under the equity method, the Group's interests in the associate or jointly-controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly-controlled entity's net assets less any identified impairment, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate or jointly-controlled entity for the year, including any impairment on goodwill relating to the investment in associate or jointly-controlled entity recognised for the year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.4 Associates/Jointly-controlled entity *(Continued)*

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determined whether it is necessary to recognise an additional impairment on the Group's investment in its associates and jointly-controlled entity. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate and jointly-controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate or jointly-controlled entity and their respective carrying amount.

Unrealised gains on transactions between the Group and its associates or jointly-controlled entity are eliminated to the extent of the Group's interest in the associates or jointly-controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investments in associates or jointly-controlled entity are stated at cost less any impairment (or at fair values). The results of associates or jointly-controlled entity are accounted for by the Company on the basis of dividend received and receivable.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.5 Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.6 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sales of properties is recognised when all of the following criteria are met:

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

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease terms. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Income from management services, property repairs and maintenance services are recognised in the period when the respective services are rendered.

Revenue from urban infrastructure projects, such as the construction works for telecommunication pipelines, are recognised when the construction works are fully completed and sold to customers. Completion is determined based on certification by independent third party quantity surveyors.

Revenue from construction contracts is recognised by reference to the percentage of completion of the contract as at balance sheet date.

Interest income is recognised on a time proportion basis using the effective interest method.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.7 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are expensed as incurred.

### 3.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and associate at the date of acquisition. Goodwill of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

### 3.9 Intangible assets

Intangible assets representing urban infrastructure development rights are stated at cost less accumulated amortisation and impairment.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of 20 years for the intangible assets. Intangible assets are amortised from the date the asset is available for use.

### 3.10 Property, plant and equipment

Leasehold building is recognised at fair value, based on their use at the date of revaluation less any subsequent accumulated depreciation and impairment. Fair value is determined in appraisals by external professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.10 Property, plant and equipment *(Continued)*

Any revaluation surplus arising upon appraisal of leasehold building is credited to the "Asset revaluation reserve" in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment as described in note 3.15. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase charged to equity. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in income statement.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity on the disposal of buildings is transferred to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation is provided to write off the cost or revalued amounts of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

| | |
|---|---|
| Leasehold building | 2% |
| Leasehold improvements | 30% |
| Furniture, fixtures and equipment | 10% — 20% |
| Motor vehicles | 6% — 15% |

The assets' residual values, depreciation methods and useful lives are reviewed annually, and adjusted if appropriate, at each balance sheet date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.11 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the income statement.

### 3.12 Properties held for development

Properties held for development representing operating lease prepayment on leasehold land and any directly attributable expenditure, with the intention for holding for long-term purposes or no decision has yet been made on their future use are included in the balance sheet as non-current assets and stated at cost, less accumulated amortisation and impairment. The amortisation policy for operating lease prepayment is disclosed in note 3.16 to the financial statements.

### 3.13 Properties under development

Properties under development comprise the cost of acquiring land, development expenditure and borrowing cost capitalised, if any. It was stated at lower of cost and net realisable value. Net realisable value represents the estimated selling price, based on prevailing market conditions.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.14 Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the acquisition cost of the properties and directly attributable transaction costs. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.

### 3.15 Impairment of non-financial assets

The Group's goodwill, intangible assets, operating lease prepayment, property, plant and equipment, properties held for development, investments in subsidiaries, associates and a jointly-controlled entity are subject to impairment testing.

Goodwill with an indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

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

An impairment is recognised as an expense immediately for the amount by which the assets' carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**3.15 Impairment of non-financial assets** *(Continued)*

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

Impairment recognised in an interim period in respect of goodwill are not reversed in a subsequent period.

**3.16 Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

***Operating lease prepayments***

Operating lease prepayments represent up-front payments to acquire long term interests in the usage of the land. They are stated at cost less accumulated amortisation and accumulated impairment, if any. The up-front payments are amortised over the lease period on a straight-line basis and the amortisation is charged to the income statement.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.16 Leases *(Continued)*

***Assets leased out under operating leases as the lessor***

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on the straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

***Operating lease charges as the lessee***

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

### 3.17 Financial assets

Financial assets are classified into the following categories: loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.17 Financial assets *(Continued)*

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment is determined and recognised based on the classification of the financial assets.

***Available-for-sale financial assets***

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement.

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

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.17 Financial assets *(Continued)*

***Impairment of financial assets***

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.17 Financial assets *(Continued)*

***Impairment of financial assets*** *(Continued)*

If any such evidence exists, the impairment is measured and recognised as follows:

*(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

*(ii) Available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.17 Financial assets *(Continued)*

***Impairment of financial assets*** *(Continued)*

*(iii) Financial assets carried at cost*

The amount of impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment are not reversed in subsequent periods.

### 3.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

### 3.19 Construction contracts

The Group's construction contracts specify a fixed price contracts. When the outcome of the contract can be estimated reliably, revenue on construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is valued at cost plus attributable profits by reference to percentage of completion. Any expected loss on individual construction contracts is recognised immediately as an expense in the income statement.

### 3.20 Income taxes

Income tax comprises current tax and deferred tax.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.20 Income taxes *(Continued)*

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

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

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

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

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

### 3.21 Cash and cash equivalents

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.22 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 3.23 Retirement benefit costs and short term employee benefits

***Defined contribution plan***

The Group contributes to the defined contribution retirement schemes which are available to employees in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC"). Contributions to the schemes by the Group and employees are calculated as a percentage of employees' relevant income or basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay any further contributions after payment of the fixed contribution.

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. The assets of the schemes are held separately from those of the Group in independently administered funds.

***Share-based employee compensation***

All share-based payment arrangements granted after 7 November 2002 and that have not yet vested at 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate certain of its directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.23 Retirement benefit costs and short term employee benefits *(Continued)*

***Share-based employee compensation*** *(Continued)*

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

### 3.24 Financial liabilities

The Group's financial liabilities include bank and other loans, trade and other payables and convertible bond. They are included in balance sheet line items as borrowings under current or non-current liabilities, trade and other payables and convertible bond under current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.24 Financial liabilities *(Continued)*

***Borrowings***

Borrowings are raised to provide long term funding for the Group's operations. They are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

***Convertible bond***

Convertible bond 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 consideration that would be received at that time do not vary, is accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contains both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On that initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as other equity reserve.

The liability component is subsequently carried at amortised cost using effective interest method. The equity component will remain in equity until conversion or redemption of bond.

When the bond is converted, the other equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the other equity reserve is released directly to retained earnings.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.24 Financial liabilities *(Continued)*

***Trade and other payables***

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

### 3.25 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

### 3.26 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of a guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised as investment in subsidiaries on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, where appropriate.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.27 Related parties

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

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

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

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

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

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

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

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

### 3.28 Segment reporting

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.28 Segment reporting *(Continued)*

In respect of business segment reporting, unallocated costs represent corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segment. Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, properties held for/under development, properties held for sale, inventories, receivables and operating cash, and mainly exclude other investments. Segment liabilities comprise operating liabilities and exclude borrowings and convertible bond.

Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(i) Estimated fair value of investment properties**

As at balance sheet date, the Group's investment properties are stated at fair value based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuers have based on market value existing use and redevelopment basis which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential and redevelopment potential. For one of the property site valued on redevelopment basis, which are not yet wholly acquired by the Group as at balance sheet date, the Group is in the course of liaising with the owners and acquiring the outstanding units through private treaty or by compulsory sale of the same. Based on the expertise in the property assembly business and the legal advice obtained by the Group, the management is of the view that the Group is able to acquire the outstanding units to carry out the redevelopment plan. In rely on the valuation, management has exercised their judgement and is satisfied that the methods of valuation are reflective of the current market conditions.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (ii) Net realisable value of properties held for sale/properties under development

Management determines the net realisable value of properties held for sale and properties under development by using prevailing market data such as most recent sale transactions and market valuation reports available from independent qualified professional valuers. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

### (iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventories are shown at the lower of cost and net realisable value.

### (iv) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the balance sheet date.

### (v) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the cash-generating units and the suitable discount rates in order to calculate the present value.

## 5. REVENUE/TURNOVER AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| **Revenue/Turnover represents:** | | |
| Sales of properties | **85,000** | 230,000 |
| Property rental income | **163,470** | 141,176 |
| Revenue from urban infrastructure construction works | **47,406** | 53,594 |
| Building management service income | **5,599** | 5,470 |
| Property repairs and maintenance service income | **9,833** | 9,633 |
| Construction income | **1,416** | — |
| Mortgage interest income | **—** | 7 |
| Signage rental | **20,366** | 19,606 |
| Office facilities and service income | **5,901** | 5,187 |
| | **338,991** | 464,673 |
| **Other income:** | | |
| Bank interest income | **1,575** | 1,298 |
| Miscellaneous income | **1,886** | 2,859 |
| Write-back of long outstanding payables | **446** | 1,696 |
| Write-back of overprovision for doubtful debts *(note 28)* | **78** | — |
| | **3,985** | 5,853 |
| **Total revenue and other income** | **342,976** | 470,526 |

## 6. SEGMENT INFORMATION

**Primary reporting format — business segments**

The Group is organized into five main business segments:

| | | |
|---|---|---|
| Property assembling business | : | Property assembly and trading |
| Property development | : | Property development and sale of properties |
| Property leasing | : | Property rental including signage rental |
| Building management and other services | : | Provision of property management, repairs and maintenance services |
| Urban infrastructure | : | Urban infrastructure development |

**Secondary reporting format — geographical segments**

The Group's five business segments operate in the following geographical areas:

| | | |
|---|---|---|
| Hong Kong | — | Property assembly and trading, property development and sales of properties, property rental and provision of property management, repairs and maintenance services |
| Mainland China | — | Urban infrastructure development and property development |

There are no sales between the geographical segments.

The Group's inter-segment transactions were related to rental and management fee charges. Terms of rental charge were similar to those contracted with third parties. Management fee charges were determined by directors.

## 6. SEGMENT INFORMATION *(Continued)*

### (i) Primary reporting format — business segments

The following table presents revenue and results information for the year ended 31 December 2008 and certain assets and liabilities information as at 31 December 2008 for the Group's business segments:

***For the year ended 31 December 2008***

| | Property assembling business HK$'000 | Property development HK$'000 | Property leasing HK$'000 | Building management and other services HK$'000 | Urban infrastructure HK$'000 | Others HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | | | |
| External customers | 85,000 | 501 | 189,236 | 15,432 | 47,406 | 1,416 | – | 338,991 |
| Inter-segments | 6,000 | – | 8,982 | 1,532 | – | 979 | (17,493) | – |
| | 91,000 | 501 | 198,218 | 16,964 | 47,406 | 2,395 | (17,493) | 338,991 |
| **Segment results** | 29,412 | 6,644 | 176,699 | 7,261 | (5,260) | (3,855) | – | 210,901 |
| Inter-segments | 8,587 | 704 | 1,487 | 403 | – | (11,181) | – | – |
| **Contribution from operations** | 37,999 | 7,348 | 178,186 | 7,664 | (5,260) | (15,036) | – | 210,901 |
| Net loss on fair value adjustments on investment properties | – | – | (135) | – | – | – | – | (135) |
| Provision for impairment on properties held for development | – | (656) | – | – | – | – | – | (656) |
| Write-down of properties held for sales to net realisable value | (1,143) | – | – | – | – | – | – | (1,143) |
| Gain on disposal of investment properties | – | – | 33,601 | – | – | – | – | 33,601 |
| Provision for impairment of intangible assets | – | – | – | – | (6,717) | – | – | (6,717) |
| | 36,856 | 6,692 | 211,652 | 7,664 | (11,977) | (15,036) | – | 235,851 |
| Unallocated income and expenses | | | | | | | | (19,628) |
| Profit from operations | | | | | | | | 216,223 |
| Finance costs | | | | | | | | (61,419) |
| Share of profits less losses of associates | | | | | | | | 13 |
| Share of profits less losses of a jointly-controlled entity | | | | | | | | (31) |
| Profit before income tax | | | | | | | | 154,786 |
| Income tax credit | | | | | | | | 4,656 |
| Profit for the year | | | | | | | | 159,442 |
| Profit attributable to equity holders of the Company | | | | | | | | 162,471 |
| Minority interests | | | | | | | | (3,029) |
| Profit for the year | | | | | | | | 159,442 |
| **Segment assets** | 480,486 | 381,856 | 6,210,876 | 6,450 | 207,009 | 8,083 | – | 7,294,760 |
| Interests in associates | | | | | | | | 113 |
| Interests in a jointly-controlled entity | | | | | | | | 24,593 |
| Total assets | | | | | | | | 7,319,466 |
| **Segment liabilities** | 197,552 | 2,978 | 60,033 | 11,715 | 16,350 | 3,574 | – | 292,202 |
| Unallocated liabilities | | | | | | | | 3,154,243 |
| Total liabilities | | | | | | | | 3,446,445 |

## 6. SEGMENT INFORMATION *(Continued)*

### (i) Primary reporting format — business segments *(Continued)*

***For the year ended 31 December 2007***

| | Property assembling business HK$'000 | Property development HK$'000 | Property leasing HK$'000 | Building management and other services HK$'000 | Urban infrastructure HK$'000 | Others HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue** | | | | | | | | |
| External customers | 246,428 | – | 149,541 | 15,103 | 53,594 | 7 | – | 464,673 |
| Inter-segments | – | – | 5,284 | 240 | – | – | (5,524) | – |
| | 246,428 | – | 154,825 | 15,343 | 53,594 | 7 | (5,524) | 464,673 |
| **Segment results** | 93,500 | (1,109) | 141,554 | 7,081 | 5,533 | (2,489) | – | 244,070 |
| Inter-segments | 637 | – | (2,064) | 163 | – | 1,264 | – | – |
| **Contribution from operations** | 94,137 | (1,109) | 139,490 | 7,244 | 5,533 | (1,225) | – | 244,070 |
| Gain on fair value adjustment on investment properties | 9,100 | – | 1,083,720 | – | – | – | – | 1,092,820 |
| Write-down of properties held for sale to net realisable value | (4,006) | – | – | – | – | – | – | (4,006) |
| Gain on disposal of investment properties | – | – | 62,552 | – | – | – | – | 62,552 |
| | 99,231 | (1,109) | 1,285,762 | 7,244 | 5,533 | (1,225) | – | 1,395,436 |
| Unallocated income and expenses | | | | | | | | (36,437) |
| Loss on disposal of subsidiaries | | | | | | | | (33) |
| Profit from operations | | | | | | | | 1,358,966 |
| Finance costs | | | | | | | | (88,820) |
| Share of profits less losses of associates | | | | | | | | (11) |
| Share of profits less losses of a jointly-controlled entity | | | | | | | | (27) |
| Profit before income tax | | | | | | | | 1,270,108 |
| Income tax expense | | | | | | | | (207,170) |
| Profit for the year | | | | | | | | 1,062,938 |
| Profit attributable to equity holders of the Company | | | | | | | | 1,063,285 |
| Minority interests | | | | | | | | (347) |
| Profit for the year | | | | | | | | 1,062,938 |
| **Segment assets** | 809,499 | 59,793 | 5,358,123 | 3,955 | 142,570 | 3,091 | – | 6,377,031 |
| Interests in associates | | | | | | | | 100 |
| Interests in a jointly-controlled entity | | | | | | | | 23,909 |
| Total assets | | | | | | | | 6,401,040 |
| **Segment liabilities** | 5,937 | 19 | 51,016 | 8,365 | 16,113 | 5,210 | – | 86,660 |
| Unallocated liabilities | | | | | | | | 2,636,951 |
| Total liabilities | | | | | | | | 2,723,611 |

## 6. SEGMENT INFORMATION *(Continued)*

### (i) Primary reporting format — business segments *(Continued)*

Other segment information extracted from the income statement and balance sheet.

| | Property assembly business | | Property development | | Property leasing | | Building management and other services | | Urban infrastructure | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Capital expenditure | **–** | 63 | **60,026** | 17,894 | **153,521** | 75,443 | **29** | 2 | **87** | 745 | **1,793** | 625 | **215,456** | 94,772 |
| Depreciation | **–** | 12 | **105** | – | **1,626** | 1,383 | **3** | 4 | **434** | 517 | **576** | 417 | **2,744** | 2,333 |
| Amortisation of intangible assets | **–** | – | **–** | – | **–** | – | **–** | – | **897** | 801 | **–** | – | **897** | 801 |
| Amortisation of operating lease prepayment | **–** | – | **–** | – | **14** | 14 | **–** | – | **–** | – | **–** | – | **14** | 14 |
| Amortisation of properties held for development | **–** | – | **1,899** | 990 | **–** | – | **–** | – | **–** | – | **–** | – | **1,899** | 990 |
| Provision for impairment of goodwill | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **4,168** | – | **4,168** | – |
| Provision for impairment of trade and other receivables | **–** | – | **–** | – | **–** | – | **113** | 144 | **5,428** | – | **–** | – | **5,541** | 144 |
| Provision for impairment of intangible assets | **–** | – | **–** | – | **–** | – | **–** | – | **6,717** | – | **–** | – | **6,717** | – |
| Provision for obsolete inventory | **–** | – | **–** | – | **–** | – | **–** | – | **4,307** | 5,301 | **–** | – | **4,307** | 5,301 |
| Provision for properties acquisition written off | **140** | 416 | **–** | – | **1,276** | 127 | **–** | – | **–** | – | **–** | – | **1,416** | 543 |

### (ii) Secondary reporting format — geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical markets:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **291,585** | 411,079 |
| PRC | **47,406** | 53,594 |
| | **338,991** | 464,673 |

## 6. SEGMENT INFORMATION *(Continued)*

### (ii) Secondary reporting format — geographical segments *(Continued)*

The following tables show the carrying amount of segment assets and additions to investment properties, property, plant and equipment, properties held for development and intangible assets by geographical area in which the assets are located:

| | Carrying amount of segment assets | | Additions to investment properties, property, plant and equipment, properties held for development, and intangible assets | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **7,024,469** | 6,218,198 | **155,343** | 77,601 |
| PRC | **270,291** | 158,833 | **60,113** | 17,171 |
| | **7,294,760** | 6,377,031 | **215,456** | 94,772 |

## 7. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest charges on: | | |
| Bank loans | | |
| — wholly repayable within five years | **56,880** | 68,937 |
| — not wholly repayable within five years | **8,349** | 17,294 |
| Other borrowings wholly repayable within five years | **42** | 1,511 |
| Convertible bond *(note 34)* | **318** | 1,078 |
| Total borrowing costs | **65,589** | 88,820 |
| *Less:* Interest capitalised in investment properties under construction *(note 15)** | **(4,170)** | — |
| | **61,419** | 88,820 |

* The borrowing cost have been capitalised at the rates ranging from 2.05% to 5.69% per annum.

## 8. PROFIT BEFORE INCOME TAX

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax is arrived at after charging: | | |
| Amortisation of intangible assets* | **897** | 801 |
| Auditors' remuneration | **1,677** | 1,657 |
| Amortisation: | | |
| — operating lease prepayment | **14** | 14 |
| — properties held for development | **1,899** | 990 |
| Depreciation | **2,744** | 2,333 |
| Cost of inventories recognised as expense | **25,783** | 27,452 |
| Cost of properties held for sale recognised as expense | **36,940** | 136,657 |
| Operating lease charges in respect of premises | **2,380** | 2,362 |
| Provision for obsolete inventories* | **4,307** | 5,301 |
| Provision for impairment of trade receivables* | **4,464** | 144 |
| Provision for impairment of other receivables* | **1,077** | — |
| Provision for impairment of amounts due from associates* | **—** | 2,742 |
| Provision for impairment of goodwill *(note 24)** | **4,168** | — |
| Bad debts written off* | **30** | 7 |
| Deposits for property acquisition written off* | **1,416** | 543 |
| Loss on disposal of property, plant and equipment | **151** | — |
| Staff costs (including directors' remuneration and defined contribution cost) *(note 10)* | **37,517** | 42,704 |
| and crediting: | | |
| Gross rental income from investment properties | **163,470** | 141,176 |
| *Less:* Outgoings | **(4,000)** | (2,874) |
| | **159,470** | 138,302 |
| Other rental income less outgoings from other properties | **5,979** | 5,007 |
| | **165,449** | 143,309 |

* included in other operating expenses

## 9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

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

| | Fee<br>*HK$'000* | Salaries and allowances<br>*HK$'000* | Retirement benefits scheme contributions<br>*HK$'000* | Equity-settled share based payment expenses<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **Year ended 31 December 2008** | | | | | |
| **Executive directors** | | | | | |
| Ms. Foo Kam Chu, Grace | – | 2,585 | 12 | 220 | 2,817 |
| Ms. Chan Wai Ling | – | 1,378 | 12 | 732 | 2,122 |
| Mr. Tse Chun Kong, Thomas | – | 1,649 | 12 | 33 | 1,694 |
| Mr. Kwan Chai Ming | – | 980 | 12 | 55 | 1,047 |
| **Non-executive directors** | | | | | |
| Mr. Liang Yanfeng | – | – | – | 33 | 33 |
| Mr. Meng Qinghui | – | – | – | 33 | 33 |
| **Independent non-executive directors** | | | | | |
| Mr. Heng Kwoo Seng* | 52 | – | – | – | 52 |
| Mr. Tsim Tak Po** | – | – | – | – | – |
| Mr. Kwan Kai Cheong | 70 | – | – | – | 70 |
| Ms. Ho Suk Yin | 60 | – | – | – | 60 |
| | **182** | **6,592** | **48** | **1,106** | **7,928** |
| **Year ended 31 December 2007** | | | | | |
| **Executive directors** | | | | | |
| Ms. Foo Kam Chu, Grace | – | 2,430 | 12 | 1,400 | 3,842 |
| Ms. Chan Wai Ling | – | 1,290 | 12 | 4,277 | 5,579 |
| Mr. Tse Chun Kong, Thomas | – | 1,631 | 12 | 250 | 1,893 |
| Mr. Kwan Chai Ming | – | 818 | 12 | 370 | 1,200 |
| **Non-executive directors** | | | | | |
| Mr. Liang Yanfeng | – | – | – | 267 | 267 |
| Mr. Meng Qinghui | – | – | – | 267 | 267 |
| **Independent non-executive directors** | | | | | |
| Mr. Heng Kwoo Seng | 80 | – | – | – | 80 |
| Mr. Kwan Kai Cheong | 70 | – | – | – | 70 |
| Ms. Ho Suk Yin | 60 | – | – | – | 60 |
| | 210 | 6,169 | 48 | 6,831 | 13,258 |

* retired on 23 May 2008

** appointed on 15 August 2008 and resigned on 16 December 2008

## 9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included three (2007: three) directors of the Company, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2007: two) individuals during the year are as follows:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Basic salaries and other benefits | 2,080 | 2,736 |
| Pension costs — defined contribution plan | 24 | 24 |
| Equity-settled share based payment | 857 | 4,970 |
| | 2,961 | 7,730 |

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | 2008 | 2007 |
| HK$1,000,000 — HK$1,500,000 | 1 | — |
| HK$1,500,001 — HK$2,000,000 | 1 | — |
| HK$2,500,001 — HK$3,000,000 | — | 1 |
| HK$5,000,001 — HK$5,500,000 | — | 1 |

No emoluments were paid by the Group to the directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during each of the two years ended 31 December 2008 and 2007.

## 10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and wages (including directors' remuneration) | **33,157** | 27,935 |
| Equity-settled share based payment | **2,175** | 13,079 |
| Pension costs — defined contribution plans | **1,501** | 1,202 |
| Staff welfare | **684** | 488 |
| | **37,517** | 42,704 |

## 11. INCOME TAX (CREDIT)/EXPENSE

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| Tax for the year | **23,567** | 12,073 |
| Under/(Over) provision in prior years | **67** | (56) |
| | **23,634** | 12,017 |
| PRC tax | | |
| Tax for the year | **1,321** | 108 |
| | **24,955** | 12,125 |
| Deferred tax *(note 35)* | | |
| Current year | **9,782** | 195,045 |
| Attributable to reduction in tax rate | **(39,393)** | — |
| | **(29,611)** | 195,045 |
| | **(4,656)** | 207,170 |

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

## 11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The Group's certain subsidiaries established and operating in the Mainland China are exempt from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years ("tax holiday"). Remaining subsidiaries operating in Mainland China are subject to PRC enterprise income tax rate of 25%.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, effective from 1 January 2008. According to the implementation rules dated 26 December 2007 issued by State Council, the foreign enterprises are entitled to tax holidays under the old regime, if the enterprises obtained their business licenses before 16 March 2007. In this connection, the above mentioned tax holiday will continue applicable to the Group's certain PRC subsidiaries.

Reconciliation between income tax (credit)/expense and accounting profit at applicable tax rates is as follows:

| | **2008**<br>***HK$'000*** | 2007<br>*HK$'000* |
|---|---|---|
| Profit before income tax | **154,786** | 1,270,108 |
| Tax at the applicable tax rates | **27,514** | 223,139 |
| Tax effect of non-deductible expenses | **6,462** | 3,883 |
| Tax effect of non-taxable income | **(8,824)** | (11,683) |
| Tax effect of temporary differences not recognised | **831** | 40 |
| Tax effect of tax losses not recognised | **11,089** | 4,566 |
| Utilisation of previously unrecognised tax losses | **(2,515)** | (13,229) |
| Effect of opening deferred tax balances resulting from a reduction in tax rate during the year *(note 35)* | **(39,393)** | — |
| Under/(Over) provision in prior years | **67** | (56) |
| Others | **113** | 510 |
| Income tax (credit)/expense | **(4,656)** | 207,170 |

## 12. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to equity holders of the Company of HK$162,471,000 (2007: profit of HK$1,063,285,000), a profit of HK$4,292,000 (2007: loss of HK$15,102,000) has been dealt with in the financial statements of the Company.

## 13. DIVIDENDS

### (a) Dividend attributable to the year

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend of HK$0.07 (2007: HK$0.07) per share | **16,747** | 15,668 |

Final dividend of HK$0.07 (2007: HK$0.07) per share for the year to shareholders whose names appear on the register of members on 8 June 2009 was proposed by the Directors on 16 April 2009.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (b) Dividends attributable to the previous financial year, approved and paid during the year

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, of HK$0.07 per share (2007: HK$0.05 per share) | **15,668** | 11,191 |

## 14. EARNINGS PER SHARE

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

**Earnings**

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company | **162,471** | 1,063,285 |
| Effect of reduction of interest payable arising from convertible bond | **318** | 1,078 |
| Profit used to determine diluted earnings per share | **162,789** | 1,064,363 |

| **Number of shares** | **2008** | 2007 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **232,744,782** | 223,426,475 |
| Effect of dilutive potential ordinary shares in respect of: | | |
| Share options | **366,445** | 869,886 |
| Convertible bond | **5,972,803** | 14,156,320 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **239,084,030** | 238,452,681 |

## 15. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows:

**Group**

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Carrying amount at 1 January | **5,380,282** | 4,249,670 |
| Additions | **150,667** | 75,040 |
| Disposals | **(37,850)** | (28,448) |
| Net transfer from/(to) properties held for sale *(note 26)* | **586,637** | (8,800) |
| Net (loss)/gain on fair value adjustments | **(135)** | 1,092,820 |
| Interest capitalised in investment properties under construction *(note 7)* | **4,170** | — |
| Carrying amount at 31 December | **6,083,771** | 5,380,282 |

During the year, certain subsidiaries of the Company disposed of their investment properties with aggregate carrying value of HK$37,850,000 (2007: HK$28,448,000) at a consideration of HK$72,000,000 (2007: HK$91,000,000) in aggregate, resulting in a net gain of HK$33,601,000 (2007: HK$62,552,000) after taking into account of selling and directly attributable expenses.

The Group's investment properties were revalued at 31 December 2008 by an independent, professionally qualified valuer, B.I. Appraisals Limited, on the following basis:

- Certain investment properties under construction were revalued on re-development basis by adopting the residual site method. The residual site method is determined by deducting from the gross development value the estimated total cost of the development including costs of construction, professional fee, finance cost, associated costs and an allowance for developer's risk and profit; and

- The remaining investment properties are revalued based on the market value on an existing use basis which involves certain estimates, including comparable market transactions, where appropriate capitalisation rates and reversionary income potential.

In relying on these valuations, management has exercised their judgement and are satisfied that the methods of valuation are reflective of the current market conditions.

## 15. INVESTMENT PROPERTIES *(Continued)*

**Group** *(Continued)*

The Group's interests in investment properties are situated in Hong Kong and their carrying amounts are analysed as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Held on lease over 50 years | **6,063,091** | 5,342,432 |
| Held on lease from 10 to 50 years | **20,680** | 37,850 |
| | **6,083,771** | 5,380,282 |

As at 31 December 2008, certain investment properties of the Group with total carrying value of HK$5,970,030,000 (2007: HK$5,160,580,000) were pledged to secure certain bank loans of HK$2,030,797,000 (2007: HK$1,542,698,000) (note 33).

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

## 16. OPERATING LEASE PREPAYMENT

The Group's interest in leasehold land represents operating lease prepayments and its net carrying value is analysed as follows:

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount at 1 January | **11,537** | 11,551 |
| Amortisation of operating lease prepayment | **(14)** | (14) |
| Carrying amount at 31 December | **11,523** | 11,537 |

The Group's interest in leasehold land is located in Hong Kong with remaining lease period of over 50 years.

## 17. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Leasehold building HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **At 1 January 2007** | | | | | |
| Cost/Valuation | 26,400 | 10,997 | 5,269 | 1,437 | 44,103 |
| Accumulated depreciation | – | (8,635) | (3,701) | (756) | (13,092) |
| Net carrying amount | 26,400 | 2,362 | 1,568 | 681 | 31,011 |
| **Year ended 31 December 2007** | | | | | |
| Opening net carrying amount | 26,400 | 2,362 | 1,568 | 681 | 31,011 |
| Additions | – | 402 | 760 | 674 | 1,836 |
| Surplus on revaluation | 1,928 | – | – | – | 1,928 |
| Disposals | – | (147) | (144) | (424) | (715) |
| Depreciation | (528) | (854) | (632) | (319) | (2,333) |
| Translation difference | – | – | 52 | 26 | 78 |
| Closing net carrying amount | 27,800 | 1,763 | 1,604 | 638 | 31,805 |
| **At 31 December 2007** | | | | | |
| Cost/Valuation | 27,800 | 11,109 | 5,717 | 1,727 | 46,353 |
| Accumulated depreciation | – | (9,346) | (4,113) | (1,089) | (14,548) |
| Net carrying amount | 27,800 | 1,763 | 1,604 | 638 | 31,805 |
| **Analysis of cost/valuation** | | | | | |
| At cost | – | 11,109 | 5,717 | 1,727 | 18,553 |
| At professional valuation | 27,800 | – | – | – | 27,800 |
| | 27,800 | 11,109 | 5,717 | 1,727 | 46,353 |
| **Year ended 31 December 2008** | | | | | |
| Opening net carrying amount | 27,800 | 1,763 | 1,604 | 638 | 31,805 |
| Acquisition of subsidiaries/Purchase of net assets *(notes 46(a), (b), (c))* | – | – | 264 | 131 | 395 |
| Additions | – | 2,711 | 1,252 | 1,379 | 5,342 |
| Surplus on revaluation | 4,956 | – | – | – | 4,956 |
| Disposals | – | (73) | (63) | (15) | (151) |
| Depreciation | (556) | (1,038) | (754) | (396) | (2,744) |
| Translation difference | – | – | 25 | 27 | 52 |
| Closing net carrying amount | 32,200 | 3,363 | 2,328 | 1,764 | 39,655 |
| **At 31 December 2008** | | | | | |
| Cost/Valuation | 32,200 | 13,648 | 6,758 | 3,198 | 55,804 |
| Accumulated depreciation | – | (10,285) | (4,430) | (1,434) | (16,149) |
| Net carrying amount | 32,200 | 3,363 | 2,328 | 1,764 | 39,655 |
| **Analysis of cost/valuation** | | | | | |
| At cost | – | 3,363 | 2,328 | 1,764 | 7,455 |
| At professional valuation | 32,200 | – | – | – | 32,200 |
| | 32,200 | 3,363 | 2,328 | 1,764 | 39,655 |

### 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At the balance sheet date, the Group's leasehold building held on leases over 50 years in Hong Kong is stated at valuation of HK$32,200,000 (2007: HK$27,800,000).

At 31 December 2008, the Group's leasehold building was valued by B.I. Appraisals Limited on an open market value basis by reference to the price information of comparable properties. A revaluation surplus of approximately HK$4,956,000 (2007: HK$1,928,000) had been credited to asset revaluation reserve.

Had the leasehold building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2008 would have been approximately HK$6,074,000 (2007: HK$6,293,000).

### 18. PROPERTIES HELD FOR DEVELOPMENT

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Year ended 31 December** | | |
| Opening net carrying amount | **51,147** | 34,241 |
| Acquisition of a subsidiary *(note 46(b))* | **39,253** | — |
| Additions | **19,799** | 17,896 |
| Amortisation | **(1,899)** | (990) |
| Provision for impairment | **(656)** | — |
| Closing net carrying amount | **107,644** | 51,147 |
| **As at 31 December** | | |
| Cost | **115,514** | 57,118 |
| Accumulated amortisation | **(7,870)** | (5,971) |
| Net carrying amount | **107,644** | 51,147 |
| **Analysis of lease terms:** | | |
| — In Hong Kong held on leases between 10 to 50 years | **36,076** | 34,884 |
| — In the PRC held on leases between 10 to 50 years | **71,568** | 16,263 |
| Net carrying amount | **107,644** | 51,147 |

## 19. INTERESTS IN SUBSIDIARIES

**Company**

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Unlisted shares, at cost | **2,318,856** | 2,318,856 |
| *Less:* Provision for impairment | **(1,773,856)** | (1,773,856) |
| | **545,000** | 545,000 |
| Amounts due from subsidiaries | **1,524,136** | 1,524,136 |
| *Less:* Provision for impairment | **(1,477,687)** | (1,477,687) |
| | **46,449** | 46,449 |
| | **591,449** | 591,449 |

Amounts due from subsidiaries are unsecured, interest free and not repayable within the next twelve months from the balance sheet date.

Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

There was no movement in impairment losses in respect of the amounts due from subsidiaries during the years ended 31 December 2008 and 2007.

Details of principal subsidiaries are set out in note 50 to the financial statements.

## 20. INTERESTS IN ASSOCIATES

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **3** | 3 |
| Share of post-acquisition results | **110** | 97 |
| | **113** | 100 |
| Amounts due from associates | **2,728** | 2,742 |
| *Less:* Provision for impairment | **(2,728)** | (2,742) |
| | **—** | — |
| | **113** | 100 |

The amounts due from associates are unsecured, interest free and not repayable within the next twelve months from the balance sheet date. No repayment will be demanded within 12 months from the balance sheet date and the amounts are classified as non-current assets accordingly.

Particulars of the associates as at 31 December 2008 are as follows:

| **Name** | **Particulars of issued shares held** | **Country of incorporation/ operation** | **% Interest held** | **Principal activities** |
|---|---|---|---|---|
| Happy Wealth Industries Limited | 2 ordinary shares of HK$1 each | Hong Kong | 30% | Property investment |
| Wellway Estates Limited | 10,000 ordinary shares of HK$1 each | Hong Kong | 30% | Investment holding and property investment |

## 20. INTERESTS IN ASSOCIATES *(Continued)*

**Group** *(Continued)*

The following table illustrates the summarised financial information of the Group's associates, extracted from their unaudited management accounts:

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| Assets | 10,075 | 10,033 |
| Liabilities | (9,699) | (9,690) |
| Revenue | 43 | 18 |
| Profit/(Loss) for the year | 42 | (37) |

## 21. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

**Group**

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| Unlisted share, at cost | 1 | 1 |
| Share of post-acquisition results | (81) | (50) |
| | (80) | (49) |
| Amount due from a jointly-controlled entity | 24,673 | 23,958 |
| | 24,593 | 23,909 |

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. No repayment will be demanded within twelve months from the balance sheet date and the amount is classified as non-current assets accordingly.

## 21. INTERESTS IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

**Group** *(Continued)*

Particulars of the jointly-controlled entity at 31 December 2008 are as follows:

| Company name | Place of incorporation and operations | Issued and paid-up capital | Percentage of: Ownership interest attributable to the Group | Percentage of: Voting Power | Percentage of: Profit sharing | Principal activities |
|---|---|---|---|---|---|---|
| Golden Choice Enterprises Limited | Hong Kong | 2 ordinary shares of HK$1 each | 50% | 50% | 50% | Property development |

The following is a condensed summary of financial information of the Group's jointly-controlled entity, extracted from its unaudited management account:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Share of assets and liabilities attributable to the Group** | | |
| Current assets | **12,255** | 11,930 |
| Current liabilities | **(12,336)** | (11,980) |
| Net liabilities | **(81)** | (50) |
| **Share of results attributable to the Group** | | |
| Revenue | **–** | – |
| Administrative expenses | **(31)** | (27) |
| Loss for the year | **(31)** | (27) |

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

**Group**

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Unlisted investments, at cost | **26,347** | 6,660 |
| *Less:* Provision for impairment | **(6,650)** | (6,650) |
| | **19,697** | 10 |
| Listed equity securities, at fair value — listed in Hong Kong | **1** | 1 |
| | **19,698** | 11 |
| *Less:* available-for-sale financial assets under current assets | **(19,687)** | — |
| Available-for-sale financial assets under non-current assets | **11** | 11 |
| Market value of listed investments | **1** | 1 |

Unlisted investments represent a 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong and a 53% interest in a PRC investment project.

The unlisted investments are classified as available-for-sale financial assets because in the opinion of the directors, the Group has no significant influence over the financial and operating policy decisions of the investees.

The unlisted investments with a carrying amount of HK$19,697,000 (2007: HK$10,000) are measured at cost less impairment losses as they do not have quoted market prices in active markets. The Group plans to hold part of the unlisted investment amounted to HK$10,000 (2007: HK$10,000) continuously, and the remaining of HK$19,687,000 (2007: nil) to be realised in the next twelve months.

## 23. INTANGIBLE ASSETS

**Group**

| | Urban infrastructure development rights HK$'000 |
|---|---|
| **At 1 January 2007** | |
| Cost | 15,460 |
| Accumulated amortisation | (1,540) |
| Net carrying amount | 13,920 |
| **Year ended 31 December 2007** | |
| Opening net carrying amount | 13,920 |
| Amortisation charge | (801) |
| Translation difference | 964 |
| Closing net carrying amount | 14,083 |
| **At 31 December 2007** | |
| Cost | 16,567 |
| Accumulated amortisation | (2,484) |
| Net carrying amount | 14,083 |
| **Year ended 31 December 2008** | |
| Opening net carrying amount | 14,083 |
| Amortisation charge | (897) |
| Provision for impairment | (6,717) |
| Translation difference | 761 |
| Closing net carrying amount | 7,230 |
| **At 31 December 2008** | |
| Cost | 10,766 |
| Accumulated amortisation | (3,536) |
| Net carrying amount | 7,230 |

The amortisation charge for the year is included in other operating expenses.

## 24. GOODWILL

**Group**

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Gross amount** | | |
| At 1 January | **3,714** | 3,714 |
| Acquisition of a subsidiary *(note 46(a))* | **4,168** | — |
| At 31 December | **7,882** | 3,714 |
| **Accumulated impairment** | | |
| At 1 January | **(3,714)** | (3,714) |
| Provision for impairment | **(4,168)** | — |
| At 31 December | **(7,882)** | (3,714) |
| **Net carrying amount** | | |
| Gross amount | **7,882** | 3,714 |
| Accumulated impairment | **(7,882)** | (3,714) |
| At 31 December | **—** | — |

The impairment of goodwill of HK$4,168,000 (2007: nil) is included under other operating expenses in the income statement and attributable to the Group's building management and other services segment.

The main factor contributing to the impairment of the cash-generating unit was due to the under-performance of the building management services.

The recoverable amount of the cash-generating unit in relation to the subsidiary of the Company was determined based on value-in-use calculations, covering a detailed 5-year budget plan. In respect of the key assumption used for value-in-use calculations, the management expects there is no material long-term average growth for the cash-generating unit and the discount rate used is 3.3% per annum.

The management's key assumptions have been determined based on the past performance and their expectation for the market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash-generating unit.

Apart from the consideration described above in determining the value-in-use of the cash-generating unit, the management is not aware of any other probable changes that would necessitate changes in the key assumptions.

## 25. INVENTORIES

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **414** | 1,082 |
| Work in progress | **15,095** | 7,953 |
| Finished goods | **34,029** | 27,226 |
| | **49,538** | 36,261 |
| *Less:* provision for obsolete inventories | **(16,830)** | (11,791) |
| | **32,708** | 24,470 |

Work in progress and finished goods represent urban infrastructure construction works either in progress or completed and available for sale as at the balance sheet date.

## 26. PROPERTIES HELD FOR SALE

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount at 1 January | **637,884** | 42,705 |
| Additions | **265,304** | 727,042 |
| Transfer (to)/from investment properties *(note 15)* | **(586,637)** | 8,800 |
| Disposal | **(35,928)** | (136,657) |
| | **280,623** | 641,890 |
| *Less:* write-down to net realisable value | **(1,143)** | (4,006) |
| Carrying amount at 31 December | **279,480** | 637,884 |
| Properties held for sale stated | | |
| — at cost | **271,950** | 605,934 |
| — at net realisable value | **7,530** | 31,950 |
| | **279,480** | 637,884 |

## 26. PROPERTIES HELD FOR SALE *(Continued)*

During the year, a subsidiary of the Company entered into a sale and purchase agreement concerning disposal of certain properties with carrying value of HK$35,928,000 (2007: HK$136,657,000) at a consideration of HK$85,000,000 (2007: HK$230,000,000), resulting in a gain of HK$42,952,000 (2007: HK$88,199,000) after taking into account of selling and directly attributable expense of HK$6,120,000 (2007: HK$5,144,000).

On 30 April 2008, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to dispose of certain of its properties held for sale situated at Nos. 1-11 Jones Street and Nos.3-11 Warren Street, HK (the "Morich Properties") upon fulfilment of certain conditions precedent. The Morich Properties were acquired by the Group at a cost of HK$270,715,000 and disposed of at a consideration of HK$423,000,000. As at balance sheet date, the Group has received deposits and part payments in aggregate of HK$196,709,000 (2007: nil) (note 32), all of which are placed at an escrow account (note 30). The transaction was completed on 27 February 2009.

As at 31 December 2008, the Group's properties held for sale with aggregate carrying value of HK$269,876,000 (2007: HK$564,937,000) were pledged to secure certain bank loans of HK$160,000,000 (2007: HK$298,957,000) (note 33).

## 27. PROPERTIES UNDER DEVELOPMENT

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Additions and carrying amount as at 31 December | **278,616** | – |

As at 31 December 2008, the Group's properties under development with aggregate carrying value of HK$278,616,000 (2007: nil) were pledged to secure certain bank loans of HK$201,326,000 (2007: nil) (note 33).

## 28. TRADE AND OTHER RECEIVABLES

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **69,694** | 65,545 |
| *Less:* Provision for impairment | **(6,621)** | (2,235) |
| Trade receivables, net | **63,073** | 63,310 |
| Other receivable, utility deposit and prepayment | **8,583** | 14,820 |
| *Less:* Provision for impairment | **(1,077)** | — |
| Other receivable, utility deposit and prepayment, net | **7,506** | 14,820 |
| | **70,579** | 78,130 |

The credit terms of the Group's trade receivables range from 30 to 90 days. At 31 December 2008, the ageing analysis of the trade receivables was as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 — 30 days | **36,057** | 36,324 |
| 31 — 90 days | **6,834** | 6,356 |
| 91 — 180 days | **5,575** | 5,834 |
| Over 180 days | **14,607** | 14,796 |
| Total trade receivables | **63,073** | 63,310 |

Impairment in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At the beginning of year | **2,235** | 2,091 |
| *Less:* write-back of overprovision for doubtful debts *(note 5)* | **(78)** | — |
| *Add:* provision for impairment | **4,464** | 144 |
| At the end of year | **6,621** | 2,235 |

## 28. TRADE AND OTHER RECEIVABLES *(Continued)*

**Group** *(Continued)*

At 31 December 2008, included in the allowance for doubtful debts are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than one year and management assessed that none of these balances are expected to be recovered. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers.

Trade receivables that are not impaired are as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **42,891** | 42,680 |
| Less than 90 days past due | **5,575** | 5,834 |
| Past due more than 90 days but less than 1 year | **10,117** | 4,805 |
| Past due more than 1 year but less than 2 years | **4,490** | 9,991 |
| At 31 December | **63,073** | 63,310 |

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there were no recent history of default. Trade receivables that were past due but not impaired related to a number of customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 29. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount due is unsecured, interest free and repayable on demand.

## 30. BANK DEPOSIT AT ESCROW ACCOUNT

Part of the consideration arising from the disposal of Morich Properties (note 26) was deposited in an escrow account pending for the fulfilment of certain conditions of the transaction. The effective interest rate of this bank deposit ranged from 0.55% to 2.55% per annum (2007: 2.76% per annum). As at 31 December 2008, the Group had not yet fulfilled these conditions. The bank balance at escrow account was subsequently released upon satisfaction of the conditions on 27 February 2009.

## 31. CASH AND CASH EQUIVALENTS

**Group**

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank and cash balances | **82,170** | 55,998 |
| Short-term bank deposits | **49,300** | 10,054 |
| | **131,470** | 66,052 |

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits were made for the periods ranging between 8 to 15 days (2007: 8 to 14 days) depending on the immediate cash requirement of the Group, and earned fixed-rate interest at respective short-term deposit rates ranging from 0.12% to 3% (2007: 3.0% to 5.375%) per annum. The carrying amount of the cash and cash equivalents approximate to their fair values.

Included in bank and cash balances of the Group is HK$68,256,000 (2007: HK$44,840,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 32. TRADE AND OTHER PAYABLES

**Group**

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **21,410** | 20,228 |
| Receipt in advance | **7,085** | 8,214 |
| Rental and other deposits received | **54,968** | 48,309 |
| Deposits and part payments associated with disposal of properties held for sale *(note 26)* | **196,709** | — |
| Accrued expenses and other payables | **12,030** | 9,909 |
| | **292,202** | 86,660 |

## 32. TRADE AND OTHER PAYABLES *(Continued)*

**Group** *(Continued)*

The Group was granted by its suppliers for credit periods ranging from 30 to 60 days. At 31 December 2008, the ageing analysis of the trade payables was as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 — 30 days | **8,804** | 10,935 |
| 31 — 90 days | **2,785** | 1,182 |
| Over 90 days | **9,821** | 8,111 |
| Total trade payables | **21,410** | 20,228 |

## 33. BORROWINGS

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current** | | |
| Bank loans — secured | **1,712,950** | 1,361,276 |
| **Current** | | |
| Bank loans — secured | **679,173** | 480,379 |
| Other loans | **28,268** | 25,629 |
| | **707,441** | 506,008 |
| **Total borrowings** | **2,420,391** | 1,867,284 |

## 33. BORROWINGS *(Continued)*

**Group** *(Continued)*

At 31 December 2008, the Group's borrowings were repayable as follows:

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Bank loans-secured** | **Other loans** | Bank loans-secured | Other loans |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| On demand or within one year | **679,173** | **28,268** | 480,379 | 25,629 |
| Within a period of more than one year but not exceeding two years | **1,062,000** | **–** | 275,276 | – |
| Within a period of more than two years but not exceeding five years | **502,250** | **–** | 863,989 | – |
| Due after five years | **148,700** | **–** | 222,011 | – |
| Total | **2,392,123** | **28,268** | 1,841,655 | 25,629 |

Bank loans are secured by certain investment properties, properties held for sale and properties under development of the Group as set out in notes 15, 26 and 27 respectively to the financial statements.

Other loans represented unsecured revolving credit facility granted by a related company (note 43(c)). It is interesting bearing at prime lending rate for Hong Kong dollars plus 1% (2007: prime lending rate for Hong Kong dollars plus 1%) per annum and the facility lasts until 30 April 2011.

Followings is the bank loan denominated in a currency other than the functional currency to which they relate:

| | **2008** | 2007 |
|---|---|---|
| | ***'000*** | *'000* |
| United States Dollar | **5,200** | – |

The fair value of the borrowing as at 31 December 2008 approximate to their carrying amounts.

## 33. BORROWINGS *(Continued)*

**Group** *(Continued)*

The analysis that shows the remaining contractual maturities of the Group's borrowings is set out in note 47.1(d) to these financial statements.

The effective interest rates at the balance sheet date were as follows:

| | **2008** | 2007 |
|---|---|---|
| Bank loans | **HIBOR+1% to HIBOR+1.75%** | HIBOR+0.85% to HIBOR+1.125% |
| Other loans | **Prime lending rate +1%** | Prime lending rate+1% |

## 34. CONVERTIBLE BOND

**Company and Group**

On 17 June 2004, the Company entered into an agreement (the "Agreement") with Ko Bee Limited ("Ko Bee"), the ultimate holding company of the Company, in relation to subscription and issue of the convertible bond (the "Bond") of the Company.

In August 2004, the Company issued the Bond to Ko Bee at a nominal value of HK$148,499,000. The Bond bears interest at 3% per annum below prime lending rate quoted by Hong Kong and Shanghai Banking Corporation Limited. The Bond matures on 17 June 2008 and can be converted into shares at the holder's option at the exercise price of HK$1.66 per share (the "Conversion Price").

On 10 March 2005 and 30 December 2005, Ko Bee exercised its rights and converted a total principal amount of HK$55,000,000 and HK$70,000,000 at the Conversion Price into 33,132,530 shares and 42,168,674 shares respectively.

On 3 June 2008, Ko Bee converted the remaining principal amount of HK$23,499,000 at the Conversion Price into 14,156,319 shares (note 36).

## 34. CONVERTIBLE BOND *(Continued)*

**Company and Group** *(Continued)*

The movement in the liability component of the Bond is as follows:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Liability component at 1 January | **23,355** | 23,355 |
| Interest charged to finance costs *(note 7)* | **318** | 1,078 |
| Interest paid | **(267)** | (1,078) |
| Conversion | **(23,406)** | — |
| Liability component at 31 December | **—** | 23,355 |

Interest expenses on the Bond is calculated using the effective interest method by applying the effective interest rate of 4.93% (2007: 4.93%) per annum to the liability component.

## 35. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

**Group**

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At 1 January | **736,220** | 540,837 |
| Acquisition of subsidiaries *(notes 46 (a), (b))* | **7,273** | — |
| Deferred taxation (credited)/charged to: | | |
| — Arising from decrease in tax rate *(note 11)* | **(39,393)** | — |
| — Income statement *(note 11)* | **9,782** | 195,045 |
| — Asset revaluation reserve | **818** | 338 |
| At 31 December | **714,700** | 736,220 |

## 35. DEFERRED TAX LIABILITIES *(Continued)*

**Group** *(Continued)*

The following are the major deferred tax liabilities recognised in the balance sheet and the movements during the current and prior years:

| | Accelerated tax depreciation | | Fair value gains | | Total | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| At 1 January | **31,729** | 27,237 | **704,491** | 513,600 | **736,220** | 540,837 |
| Acquisition of subsidiaries *(notes 46 (a), (b))* | **14** | — | **7,259** | — | **7,273** | — |
| Charged/(Credited) to: | | | | | | |
| — Arising from decrease in tax rate credited to the income statement *(note 11)* | **(1,669)** | — | **(37,724)** | — | **(39,393)** | — |
| — Income statement | **3,119** | 4,154 | **6,663** | 190,891 | **9,782** | 195,045 |
| — Asset revaluation reserve | **818** | 338 | **—** | — | **818** | 338 |
| At 31 December | **34,011** | 31,729 | **680,689** | 704,491 | **714,700** | 736,220 |

As at 31 December 2008, the amount of unrecognised deferred tax assets is mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$20,859,000 (2007: HK$12,285,000). The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

**Company**

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences (2007: nil).

## 36. SHARE CAPITAL

| | 2008 Number of shares | 2008 HK$'000 | 2007 Number of shares | 2007 HK$'000 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of HK$0.10 each | **5,000,000,000** | **500,000** | 5,000,000,000 | 500,000 |
| Issued and fully paid: | | | | |
| At 1 January | **223,827,816** | **22,383** | 222,657,816 | 22,266 |
| Exercise of share options | **1,200,000** | **120** | 1,170,000 | 117 |
| Conversion of convertible bond *(note 34)* | **14,156,319** | **1,415** | — | — |
| At 31 December | **239,184,135** | **23,918** | 223,827,816 | 22,383 |

## 37. RESERVES

**Group**

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Share premium *(note (a))* | **285,789** | 260,409 |
| Asset revaluation reserve | **24,829** | 20,691 |
| Other equity reserve — convertible bond | **—** | 94 |
| Employee share-based equity reserve | **14,852** | 13,582 |
| Retained profits | **3,457,905** | 3,312,181 |
| Exchange reserve | **13,661** | 8,521 |
| Special reserve *(note (b))* | **1,848** | 1,848 |
| Proposed final dividend *(note 13(a))* | **16,747** | 15,668 |
| | **3,815,631** | 3,632,994 |

## 37. RESERVES *(Continued)*

**Group** *(Continued)*

*Notes:*

(a) Share premium represents the excess of consideration received over the par value of share issued.

(b) The special reserve of the Group initially represented the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital of the subsidiaries pursuant to the Group's re-organisation in 1997.

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on pages 34 and 35 to the financial statements.

**Company**

| | Share premium HK$'000 (note (a)) | Con-tributed surplus HK$'000 (note (b)) | Other equity reserve HK$'000 | Employee share-based equity reserve HK$'000 | Acc-umulated losses HK$'000 | Proposed final dividend HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2007 | 256,548 | 2,201,747 | 94 | 1,705 | (1,937,809) | 11,139 | 533,424 |
| Exercise of share options | 3,861 | – | – | (1,107) | – | – | 2,754 |
| Lapse of share options | – | – | – | (95) | 95 | – | – |
| Equity-settled share based payment *(note 38)* | – | – | – | 13,079 | – | – | 13,079 |
| Loss for the year | – | – | – | – | (15,102) | – | (15,102) |
| Underprovision for final dividend for 2006 | – | (52) | – | – | – | 52 | – |
| Final dividend paid for 2006 *(note 13(b))* | – | – | – | – | – | (11,191) | (11,191) |
| Proposed final dividend for 2007 *(note 13(a))* | – | (15,668) | – | – | – | 15,668 | – |
| At 31 December 2007 and 1 January 2008 | 260,409 | 2,186,027 | 94 | 13,582 | (1,952,816) | 15,668 | 522,964 |
| Exercise of share options | 3,295 | – | – | (905) | – | – | 2,390 |
| Equity-settled share based payment *(note 38)* | – | – | – | 2,175 | – | – | 2,175 |
| Profit for the year | – | – | – | – | 4,292 | – | 4,292 |
| Conversion of convertible bond | 22,085 | – | (94) | – | – | – | 21,991 |
| Final dividend paid for 2007 *(note 13(b))* | – | – | – | – | – | (15,668) | (15,668) |
| Proposed final dividend for 2008 *(note 13(a))* | – | (16,747) | – | – | – | 16,747 | – |
| **At 31 December 2008** | **285,789** | **2,169,280** | **–** | **14,852** | **(1,948,524)** | **16,747** | **538,144** |

## 37. RESERVES *(Continued)*

**Company** *(Continued)*

*Notes:*

(a) Share premium represents the excess of consideration received over the par value of share issued.

(b) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Lucky Spark Limited (a subsidiary) and the value of the net underlying assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders under certain circumstances. However, the Company cannot declare or pay a dividend or make a distribution out of contribution surplus if:

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

(2) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## 38. SHARE BASED EMPLOYEE COMPENSATION

**Share options**

The Company has a share option scheme adopted on 22 July 2002 ("2002 Share Option Scheme").

The principal terms of the 2002 Share Option Scheme is set out as follows:

**Purpose of the Scheme**

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

**Eligible participants of the Scheme**

(i) any executive or non-executive directors of the Group or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group; (iv) Chief Executive (as defined under the Listing Rules) or Substantial Shareholder (as defined under the Listing Rules) of the Company; (v) Associates (as defined under the Listing Rules) of Director, Chief Executive or Substantial Shareholder of the Company; and (vi) employees of the Substantial Shareholder.

## 38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

**Total number of securities issuable**

The total number of shares which may be issued upon exercise of all share options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme provided that share options lapsed will not be counted for the purpose of calculating such 10% limit.

Under the 2002 Share Option Scheme, the Company may obtain a fresh approval from its shareholders in general meeting to refresh the above mentioned 10% limit. In such event, the total number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of such approval provided that share options previously granted under the 2002 Share Option Scheme (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limit.

At the annual general meeting of the Company convened on 23 May 2008, the said 10% limit was refreshed to the effect that the limit of number of shares available for issue was increased to 22,382,781 shares.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

As at the date of this annual report, the total number of shares available for issue under the 2002 Share Option Scheme was 16,382,781 representing approximately 6.85% of the Company's shares in issue as at that date.

## 38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

**Maximum entitlement of each employee/participant**

Unless separately approved by the shareholders of the Company in general meeting with the particular Participant (as defined in the 2002 Share Option Scheme) and his or her associate (as defined under the Listing Rules) abstaining from voting, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 months period shall not exceed 1% of the total number of shares in issue.

**Period to take up shares under share option and minimum period to hold share option before exercise**

Under the 2002 Share Option Scheme, the period within which the shares must be taken up under a share option and the minimum period, if any, for which a share option must be held before it can be exercised are to be decided by the Directors of the Company upon granting the relevant share options. Details of such information (if any) relating to the outstanding share options are set out below.

**Amount payable to take up share options and time to accept offer**

Under the 2002 Share Option Scheme, an offer for the granting of share options under the 2002 Share Option Scheme shall be accepted within 28 days from the offer date and by way of payment of a consideration of HK$1.00.

**Exercise price**

The exercise price shall be a price determined by the board of directors of the Company and shall be at least the higher of:

(i) the closing price of the shares quoted on the Stock Exchange on the offer date;

(ii) a price being the average of the closing prices of the shares as quoted in the Stock Exchange for the 5 trading days immediately preceding the offer date;

(iii) the nominal value of the shares.

**Life of the 2002 Share Option Scheme**

The 2002 Share Option Scheme has a life of 10 years from its adoption date. The remaining life of the 2002 Share Option Scheme is 3.25 years from the date of this annual report.

## 38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

As at the balance sheet date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

| Name of grantee | Date of grant | Closing price immediately preceding the date of grant (HK$) | Exercise price (HK$) | Weighted average closing price of shares Immediately before exercise date (HK$) | Exercisable period | Number of options: As at 1 January 2008 | Number of options: Granted during the year | Number of options: Exercised during the year | Number of options: As at 31 December 2008 | Fair value of option granted (HK$'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Directors*** | | | | | | | | | | |
| Foo Kam Chu, Grace | 6 Jul 2004 | 1.45 | 1.47 | 5.20 | 6 January 2005 to 5 January 2010 | 200,000 | – | (200,000) | – | – |
| | 4 Jul 2005 | 2.35 | 2.38 | 5.20 | 4 January 2006 to 3 January 2011 | 200,000 | – | (200,000) | – | – |
| | 21 Nov 2006 | 2.53 | 2.52 | 5.20 | 20 May 2007 to 19 May 2012 | 200,000 | – | (200,000) | – | – |
| | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 600,000 | – | – | 600,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 600,000 | – | 600,000 | 255 |
| Chan Wai Ling | 10 Jul 2003 | 1.50 | 1.50 | 5.20 | 8 January 2004 to 7 January 2009 | 60,000 | – | (60,000) | – | – |
| | 6 Jul 2004 | 1.45 | 1.47 | 5.20 | 6 January 2005 to 5 January 2010 | 90,000 | – | (90,000) | – | – |
| | 4 Jul 2005 | 2.35 | 2.38 | 5.20 | 4 January 2006 to 3 January 2011 | 90,000 | – | (90,000) | – | – |
| | 21 Nov 2006 | 2.53 | 2.52 | 5.20 | 20 May 2007 to 19 May 2012 | 90,000 | – | (90,000) | – | – |
| | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 2,000,000 | – | – | 2,000,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 2,000,000 | – | 2,000,000 | 849 |
| Kwan Chai Ming | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 150,000 | – | – | 150,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 150,000 | – | 150,000 | 64 |
| Tse Chun Kong, Thomas | 14 Jul 2003 | 1.50 | 1.50 | N/A | 8 January 2004 to 7 January 2009 | 60,000 | – | – | 60,000 | – |
| | 6 Jul 2004 | 1.45 | 1.47 | N/A | 6 January 2005 to 5 January 2010 | 90,000 | – | – | 90,000 | – |
| | 4 Jul 2005 | 2.35 | 2.38 | N/A | 4 January 2006 to 3 January 2011 | 90,000 | – | – | 90,000 | – |
| | 21 Nov 2006 | 2.53 | 2.52 | N/A | 20 May 2007 to 19 May 2012 | 90,000 | – | – | 90,000 | – |
| | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 90,000 | – | – | 90,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 90,000 | – | 90,000 | 38 |

## 38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

| Name of grantee | Date of grant | Closing price immediately preceding the date of grant *(HK$)* | Exercise price *(HK$)* | Weighted average closing price of shares Immediately before exercise date *(HK$)* | Exercisable period | Number of options: As at 1 January 2008 | Number of options: Granted during the year | Number of options: Exercised during the year | Number of options: As at 31 December 2008 | Fair value of option granted *(HK$'000)* |
|---|---|---|---|---|---|---|---|---|---|---|
| Meng Qinghui | 16 Jul 2003 | 1.50 | 1.50 | N/A | 8 January 2004 to 7 January 2009 | 60,000 | – | – | 60,000 | – |
| | 6 Jul 2004 | 1.45 | 1.47 | N/A | 6 January 2005 to 5 January 2010 | 90,000 | – | – | 90,000 | – |
| | 4 Jul 2005 | 2.35 | 2.38 | N/A | 4 January 2006 to 3 January 2011 | 90,000 | – | – | 90,000 | – |
| | 19 Dec 2006 | 2.69 | 2.52 | N/A | 20 May 2007 to 19 May 2012 | 90,000 | – | – | 90,000 | – |
| | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 90,000 | – | – | 90,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 90,000 | – | 90,000 | 38 |
| Liang Yanfeng | 8 Jan 2007 | 2.60 | 2.52 | N/A | 20 May 2007 to 19 May 2012 | 90,000 | – | – | 90,000 | – |
| | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 90,000 | – | – | 90,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 90,000 | – | 90,000 | 38 |
| Other Employees | 6 July 2004 | 1.45 | 1.47 | 5.20 | 6 January 2005 to 5 January 2010 | 90,000 | – | (90,000) | – | – |
| | 4 July 2005 | 2.35 | 2.38 | 5.20 | 4 January 2006 to 3 January 2011 | 90,000 | – | (90,000) | – | – |
| | 21 Nov 2006 | 2.53 | 2.52 | 5.20 | 20 May 2007 to 19 May 2012 | 90,000 | – | (90,000) | – | – |
| | 19 Jul 2007 | 6.17 | 6.17 | N/A | 18 January 2008 to 21 July 2012 | 2,750,000 | – | – | 2,750,000 | – |
| | 28 Oct 2008 | 1.50 | 1.76 | N/A | 27 April 2009 to 21 July 2012 | – | 3,080,000 | – | 3,080,000 | 1,306 |
| | | | | | | 7,720,000 | 6,100,000 | (1,200,000) | 12,620,000 | 2,588 |

6,520,000 (2007: 1,860,000) share options under the 2002 Share Option Scheme are exercisable as at 31 December 2008.

## 38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

The fair value of the options granted during the year determined at the dates of grant using the Black-Scholes option pricing model were HK$2,588,000 (2007: HK$13,488,000).

| | |
|---|---|
| Date of grant | 28 October 2008 |
| Closing share price immediately preceding the date of grant | HK$1.50 per share |
| Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the dates of grant) | 51% |
| Expected life (in years) | 2.94 years |
| Risk-free interest rate | 1.84% |
| Expected dividend yield | 1.4% |

The share options vest upon the commencement of the exercisable period and, as at 31 December 2008, the total vested amount of HK$2,175,000 (2007: HK$13,079,000) was expensed through the income statement.

## 39. COMMITMENTS

### (a) Operating lease commitments

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **7,348** | 1,655 |
| In the second to fifth years inclusive | **320** | 1,280 |
| | **7,668** | 2,935 |

The Group leases a number of properties under operating leases. The leases run for period of two to three years. None of the leases includes contingent rentals.

## 39. COMMITMENTS *(Continued)*

### (b) Capital commitments

**Group**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted but not provided for: | | |
| — Property development | **2,482** | 2,216 |
| — Acquisition of properties held for sale | **49,426** | 204,474 |
| — Capital contribution to subsidiaries in the PRC | **29,357** | 29,800 |
| | **81,265** | 236,490 |

All capital commitments are due for contribution in the coming twelve months.

**Company**

The Company does not have any significant commitments as at 31 December 2008 (2007: nil).

## 40. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2008, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **113,414** | 123,566 |
| In the second to fifth years inclusive | **58,742** | 55,074 |
| | **172,156** | 178,640 |

The Group leases its investment properties (note 15) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases also require the tenants to pay rental deposits.

## 41. CONTINGENT LIABILITIES

During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the balance sheet date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$5,293,000 (2007: HK$4,998,000).

## 42. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$2,828,148,000 (2007: HK$1,787,562,000) with respect to bank loans to its subsidiaries, which are also secured against properties held by those subsidiaries. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that it was not probable that the repayment of the loan would be in default.

## 43. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business during the year:

(a) A subsidiary of the Company entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2007 and expiring on 30 April 2010 at the monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2008 amounted to HK$960,000 (2007: HK$960,000).

(b) A wholly owned subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at RMB42,835 for a period of 3 months from 1 Jan 2008 to 31 Mar 2008 and RMB50,363 for a period of 9 months from 1 Apr 2008 to 31 Dec 2008. The total rental and management charges paid for the year amounted to HK$702,000 (2007: HK$695,000).

## 43. RELATED PARTY TRANSACTIONS *(Continued)*

(c) On 30 April 2005, a related company in which the Chairman and an executive director of the Company have interests, advanced to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum. The facility was renewed on 16 April 2008. The purpose of granting this unsecured revolving credit facility is to replace a previous unsecured revolving credit facility with a maximum total principal amount of HK$100,000,000. The final maturity date is on 30 April 2011. As at the balance sheet date, approximately HK$28,268,000 (2007: HK$25,629,000) was utilised.

(d) Interest on convertible bonds paid/payable to Ko Bee for the year ended 31 December 2008 amounted to HK$318,000 (2007: HK$1,078,000).

(e) Key management personnel compensation:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Basic salaries and other benefits | **12,592** | 11,238 |
| Pension costs — defined contribution plan | **132** | 118 |
| Equity-settled share based payment | **1,972** | 11,711 |
| | **14,696** | 23,067 |

## 44. RETIREMENT BENEFITS SCHEMES

The Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payables in future years.

The defined contribution retirement scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable by the Group at the rates specified in the rules of the scheme.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 21% to 34% (2007: 21% to 33%) of the employee payroll to the scheme to fund the retirement benefits to the employees. The Group has no further liability in respect of the retirement benefit of the employees of the PRC subsidiaries.

The details of the retirement benefits scheme contributions for the Directors and employees which have been dealt with in the income statement of the Group for the year, are as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gross scheme contributions | **1,501** | 1,202 |

## 45. DISPOSAL OF SUBSIDIARIES

| | 2008 | 2007 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Net assets disposed of: | | |
| Debtors, prepayments and deposits | 10 | 59 |
| Creditors and accruals | – | (16) |
| | 10 | 43 |
| Loss on disposal of subsidiaries | – | (33) |
| Consideration | 10 | 10 |
| Satisfied by: | | |
| Cash to be received and included in trade and other receivables | 10 | 10 |

## 46. BUSINESS COMBINATIONS

(a) On 31 March 2008, the Group acquired 100% of the equity interest of Kong Luen Property Management Company Limited ("Kong Luen"), a company engaged in provision of building management services. Kong Luen contributed revenues of approximately HK$1,544,000 and net loss of approximately HK$657,000 to the Group for the year ended 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the profit of the Group for the year would have been HK$340,629,000 and HK$158,658,000 respectively. These pro-forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

## 46. BUSINESS COMBINATIONS *(Continued)*

(a) *(Continued)*

Details of the net assets acquired are as follows:

| | HK$'000 |
|---|---|
| Purchase consideration settled in cash | 4,200 |
| Fair value of net assets acquired | (32) |
| Goodwill *(note 24)* | 4,168 |

The goodwill arising on acquisition of Kong Luen is attributable to the anticipated expansion in its building management business.

The assets and liabilities arising from the acquisition are as follows:

| | **Acquiree's carrying amount** HK$'000 | **Fair Value** HK$'000 |
|---|---|---|
| Cash and cash equivalents | 136 | 136 |
| Property, plant and equipment | 25 | 25 |
| Trade and other receivables | 1,046 | 1,046 |
| Trade and other payables | (1,136) | (1,136) |
| Provision for income tax | (25) | (25) |
| Deferred tax liabilities *(note 35)* | (14) | (14) |
| Net assets acquired | 32 | 32 |
| Purchase consideration settled in cash | | 4,200 |
| Cash and cash equivalents in subsidiary acquired | | (136) |
| Net cash outflow on acquisition | | 4,064 |

## 46. BUSINESS COMBINATIONS *(Continued)*

(b) On 20 September 2008, the Group acquired 71.86% of the equity interest of 珠海市山水花城物業管理有限公司 ("山水花城"), a company engaged in property development business in the PRC. 山水花城 contributed nil revenue and net loss of approximately HK$407,000 to the Group for the year ended 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the profit of the Group for the year would have been HK$338,991,000 and HK$167,536,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

Details of the net assets acquired are as follows:

| | *HK$'000* |
|---|---|
| Purchase consideration settled in cash | 23,420 |
| Fair value of net assets acquired | (36,689) |
| Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition | (13,269) |

The excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition was attributable to the fact that the seller was willing to accept less than the business's fair value as consideration.

## 46. BUSINESS COMBINATIONS *(Continued)*

(b) *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

| | **Acquiree's carrying amount** | **Fair value** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Cash and cash equivalents | 6,037 | 6,037 |
| Properties held for development *(note 18)* | 10,016 | 39,253 |
| Property, plant and equipment | 190 | 190 |
| Available-for-sale financial assets | 13,710 | 13,710 |
| Other payables | (192) | (192) |
| Deferred tax liabilities *(note 35)* | — | (7,259) |
| Borrowings | (683) | (683) |
| Net assets | 29,078 | 51,056 |
| Minority interests (28.14%) | | (14,367) |
| Net assets acquired | | 36,689 |
| Purchase consideration settled in cash | | 23,420 |
| Cash and cash equivalents in subsidiary acquired | | (6,037) |
| Net cash outflow on acquisition | | 17,383 |

## 46. BUSINESS COMBINATIONS *(Continued)*

(c) On 31 March 2008, the Group acquired 100% of the equity interest of 漳州雙第玖玖休閒運動有限公司 ("漳州雙第") which will be engaged in property development business. The acquired company was dormant during the year. 漳州雙第 contributed nil revenue and net loss of approximately HK$1,776,000 to the Group for the year ended 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the profit of the Group for the year would have been HK$338,991,000 and HK$157,597,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

漳州雙第 holds primarily a deposit for property development with no associated operation at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the acquisition of 漳州雙第 is a purchase of net assets which does not constitute a business combination for accounting purpose.

## 46. BUSINESS COMBINATIONS *(Continued)*

(c) *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

| | Acquiree's carrying amount *HK$'000* | Fair Value *HK$'000* |
|---|---|---|
| Cash and cash equivalents | 5,558 | 5,558 |
| Property, plant and equipment | 180 | 180 |
| Deposit for property development | 4,259 | 9,825 |
| Other payables | (360) | (360) |
| Net assets acquired | 9,637 | 15,203 |
| Purchase consideration settled in cash | | 15,203 |
| Cash and cash equivalents in subsidiary acquired | | (5,558) |
| Net cash outflow on acquisition | | 9,645 |

* At the dates of acquisition, the fair value of the deposit for property development was determined by an independent qualified professional valuer, based on the market approach with adjustments made to reflect condition and utility of the appraised asset relative to the market comparables.

## 47. FINANCIAL INSTRUMENTS

### 47.1 Financial risk management objectives and policies

The Group is exposed to market risk, specifically to credit risk, liquidity risk, currency risk, and interest rate risk in the normal course of business. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to the market risk.

Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed to are described below. A summary of the Group's financial assets and liabilities by category is disclosed in note 47.2.

#### (a) Interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank and other borrowing, bank deposit at escrow account, and cash and cash equivalents. The interest rates and repayment terms of the Group's bank deposit at escrow account, cash and cash equivalents and bank and other borrowings are disclosed in notes 30, 31 and 33 respectively. The Group currently does not have an interest rate hedging policy. However, the Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

*Interest rate sensitivity analysis*

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to variable-rate financial instruments at that date. The 25 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31 December 2007.

## 47. FINANCIAL INSTRUMENTS *(Continued)*

### 47.1 Financial risk management objectives and policies *(Continued)*

**(a) Interest rate risk** *(Continued)*

*Interest rate sensitivity analysis (Continued)*

At 31 December 2008, it is estimated that a general increase of 25 basis points in interest rates, with all other variable held constant, would decrease the Group's profit after tax and retained profits by approximately HK$5,229,000 (2007: HK$4,701,000). There is no impact on other components of consolidated equity in response to the general increase in interest rates. A decrease of 25 basis points in interest rate would have had the equal but opposite effect on the above financial instruments to the amounts shown above, on the basis that all other variables remain constant.

**(b) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables, amount due from a minority shareholder, bank deposit at escrow account and cash and cash equivalents.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 28.

The Group has deposited its cash with various banks. The credit risk on bank deposits at escrow account, and cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

The policies to manage credit risk have been followed by the Group since prior year and are considered to have been effective.

## 47. FINANCIAL INSTRUMENTS *(Continued)*

### 47.1 Financial risk management objectives and policies *(Continued)*

**(c) Foreign currency risk**

The Group's exposure to currency exchange rates is minimal as the group companies hold majority of their financial assets/liabilities in their functional currency.

**(d) Liquidity risk**

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

**Group**

| | 31 December 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but not exceeding 2 years | More than 2 years but not exceeding 5 years | More than 5 years |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | 21,410 | 21,410 | 21,410 | – | – | – |
| Accrued expenses and other payables | 12,030 | 12,030 | 12,030 | – | – | – |
| Bank loans, secured | 2,392,123 | 2,452,443 | 686,248 | 1,093,387 | 514,779 | 158,029 |
| Other loans | 28,268 | 29,964 | 29,964 | – | – | – |
| | 2,453,831 | 2,515,847 | 749,652 | 1,093,387 | 514,779 | 158,029 |

## 47. FINANCIAL INSTRUMENTS *(Continued)*

### 47.1 Financial risk management objectives and policies *(Continued)*

**(d) Liquidity risk** *(Continued)*

**Group** *(Continued)*

| | 31 December 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but not exceeding 2 years | More than 2 years but not exceeding 5 years | More than 5 years |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | 20,228 | 20,228 | 20,228 | – | – | – |
| Accrued expenses and other payables | 9,909 | 9,909 | 9,909 | – | – | – |
| Bank loans, secured | 1,841,655 | 2,131,997 | 551,986 | 332,870 | 906,608 | 340,533 |
| Other loans | 25,629 | 25,629 | 25,629 | – | – | – |
| Convertible bond | 23,355 | 24,076 | 24,076 | – | – | – |
| | 1,920,776 | 2,211,839 | 631,828 | 332,870 | 906,608 | 340,533 |

**Company**

| | **31 December 2008** | | |
|---|---|---|---|
| | **Carrying amount** | **Total contractual undiscounted cash flow** | **Within 1 year or on demand** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Amounts due to subsidiaries | **29,399** | **29,399** | **29,399** |
| Accrued expenses and other payables | **311** | **311** | **311** |
| | **29,710** | **29,710** | **29,710** |

## 47. FINANCIAL INSTRUMENTS *(Continued)*

### 47.1 Financial risk management objectives and policies *(Continued)*

**(d) Liquidity risk** *(Continued)*

**Company** *(Continued)*

| | 31 December 2007 | | |
|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts due to subsidiaries | 22,545 | 22,545 | 22,545 |
| Accrued expenses and other payables | 457 | 457 | 457 |
| Convertible bond | 23,355 | 24,076 | 24,076 |
| | 46,357 | 47,078 | 47,078 |

In view of significant cash outflows arising from short-term liabilities and capital commitment (note 39(b)), the directors consider the Group will be able to meet its obligations when they fall due for the following reasons:

(i) a related company has extended the maturity date of an unsecured revolving credit facility of HK$100 million from 30 April 2008 to 30 April 2011 (note 43(c));

(ii) a consistent cash inflow is generated by steady rental income from its property leasing business;

(iii) remaining sales proceeds arising from disposal of Morich Properties together with the deposit and partial consideration placed at escrow account which in aggregate amounting to HK$423,000,000 was released on 27 February 2009 (note 26); and

(iv) with net assets of HK$3,873 million, the Group should be able to secure additional loan facilities, if necessary.

## 47. FINANCIAL INSTRUMENTS *(Continued)*

### 47.1 Financial risk management objectives and policies *(Continued)*

**(e) Fair value risk**

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of non-current borrowings are presented in note 33 to the financial statements.

### 47.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the balance sheet dates are catergorised as follows. See notes 3.17 and 3.24 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | | | |
| *Available-for-sale financial assets* | **19,698** | 11 | **—** | — |
| *At amortised cost* | | | | |
| — Trade receivables, net | **63,073** | 63,310 | **—** | — |
| — Other receivables, net | **2,760** | 3,465 | **—** | — |
| — Amount due from a jointly-controlled entity | **24,673** | 23,958 | **—** | — |
| — Amount due from a minority shareholder | **5,427** | — | **—** | — |
| — Amounts due from subsidiaries | **—** | — | **46,449** | 46,449 |
| *Bank deposit at escrow account* | **197,452** | 15,168 | **—** | — |
| *Cash and cash equivalents* | **131,470** | 66,052 | **31** | 21 |
| | **444,553** | 171,964 | **46,480** | 46,470 |
| **Financial liabilities** | | | | |
| *At amortised cost* | | | | |
| — Amounts due to subsidiaries | **—** | — | **(29,399)** | (22,545) |
| — Trade payables | **(21,410)** | (20,228) | **—** | — |
| — Accrued expenses and other payables | **(12,030)** | (9,909) | **(311)** | (457) |
| — Bank loans, secured | **(2,392,123)** | (1,841,655) | **—** | — |
| — Other loans | **(28,268)** | (25,629) | **—** | — |
| — Convertible bond | **—** | (23,355) | **—** | (23,355) |
| | **(2,453,831)** | (1,920,776) | **(29,710)** | (46,357) |

## 48. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital on the basis of debt to equity ratio, which is net debt divided by total capital. Net debt is calculated as the sum of its borrowings and convertible bond less cash and cash equivalents as shown in the consolidated balance sheet. Total capital is calculated as total equity, as shown in the consolidated balance sheet. The Group aims to maintain the debt to equity ratio at manageable level.

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Borrowings | **2,420,391** | 1,867,284 |
| Convertible bond | **–** | 23,355 |
| Total debt | **2,420,391** | 1,890,639 |
| *Less:* Cash and cash equivalents | **(131,470)** | (66,052) |
| **Net debt** | **2,288,921** | 1,824,587 |
| **Total equity** | **3,873,021** | 3,677,429 |
| **Net debt to equity ratio** | **0.59:1** | 0.50:1 |

## 49. POST BALANCE SHEET EVENT

The Group's disposal of Morich Properties at a consideration of HK$423,000,000 was completed in February 2009. Details are set out in note 26 to the financial statements.

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2008 are as follows:

| Company name | Place of incorporation/ operations | Particulars of nominal value of issued share capital/ registered capital | Percentage of interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| Billion Golden Limited | Hong Kong | 1 ordinary share of HK$1 | – | 100% | Property investment |
| Champion Fund Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | – | 100% | Property investment |
| Fineway Properties Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | – | 100% | Property investment |
| Golden Relay Company Limited | Hong Kong | 99,998 ordinary shares of HK$1 each<br><br>2 non-voting deferred shares of HK$1 each | – | 100% | Property investment |
| Goldprofit (Consultant) Services Company Limited | Hong Kong | 2 ordinary shares of HK$1 each | – | 100% | Provision of building repairs and maintenance services |
| Goldwell Property Management Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | – | 100% | Provision of building management service |
| Good Faith Properties Limited | Hong Kong | 1 ordinary share of HK$1 | – | 100% | Property development and investment |
| Keyland Limited | Hong Kong | 1,000 ordinary shares of HK$1 each | – | 100% | Property investment |
| Morich Properties Ltd. | Hong Kong | 1 ordinary shares of HK$1 | – | 100% | Property assembly and trading |
| Soundwill (BVI) Limited | British Virgin Islands | 100,001,000 ordinary shares of HK$1 each | 100% | – | Investment holding |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2008 are as follows *(Continued)*:

| Company name | Place of incorporation/ operations | Particulars of nominal value of issued share capital/ registered capital | Percentage of interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| Soundwill Real Estate Agency Limited | Hong Kong | 2 ordinary shares of HK$1 each | – | 100% | Provision of real estate agency services |
| Super Keep Investment Limited | Hong Kong | 9,998 ordinary shares of HK$1 each<br>2 non-voting deferred shares of HK$ 1 each | – | 100% | Property development |
| Top Hill Holdings Limited | Hong Kong | 1,000 ordinary shares of HK$1 each | – | 70% | Property development |
| Soundwill (China) Limited | Hong Kong | 2 ordinary shares of HK$1 each | – | 100% | Investment holding |
| Soundwill (Chongqing) Limited | Hong Kong | 100 ordinary shares of HK$1 each | – | 100% | Investment holding |
| Soundwill (Fujian) Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | – | 100% | Property investment |
| Soundwill (Jilin) Limited | Hong Kong | 99 ordinary shares of HK$1 each<br>1 non-voting deferred share of HK$1 | – | 100% | Property development and investment |
| Soundwill (Shaanxi) Limited | Hong Kong | 1,000 ordinary shares of HK$1 each | – | 100% | Investment holding |
| 珠海市山水花城物業管理有限公司 | PRC | Registered capital of RMB25,000,000 | – | 72%^ | Property development |
| 韶關城市管網建設投資管理有限公司* | PRC | Registered capital of HK$20,000,000** | – | 80% | Urban infrastructure development |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2008 are as follows *(Continued)*:

| Company name | Place of incorporation/ operations | Particulars of nominal value of issued share capital/ registered capital | Percentage of interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 山東金朝陽城市管網建設有限公司*** | PRC | Registered capital of HK$10,000,000 | – | 100% | Urban infrastructure development |
| 柳州城市管網建設管理有限公司* | PRC | Registered capital of HK$28,280,000** | – | 100% | Urban infrastructure development |
| 貴港金朝陽城市管網建設管理有限公司* | PRC | Registered capital of HK$20,000,000** | – | 100% | Urban infrastructure development |
| 南昌城市管網建設投資有限公司* | PRC | Registered capital of HK$30,000,000** | – | 80% | Urban infrastructure development |
| 景德鎮城市管網建設投資管理有限公司* | PRC | Registered capital of HK$8,000,000** | – | 80% | Urban infrastructure development |
| 南平市(金朝陽)城市管道建設投資管理有限公司*# | PRC | Registered capital of HK$13,748,000** | – | 80% | Urban infrastructure development |
| 威海市城市管網建設投資有限公司* | PRC | Registered capital of HK$20,000,000 | – | 80% | Urban infrastructure development |
| 重慶金朝陽城市管網建設管理有限公司* | PRC | Registered capital of HK$20,000,000** | – | 80% | Urban infrastructure development |
| 寶雞市城市管網建設投資有限公司* | PRC | Registered capital of HK$20,000,000 | – | 80% | Urban infrastructure development |
| 黃岡市城市管網建設投資有限公司* | PRC | Registered capital of HK$12,500,000** | – | 80% | Urban infrastructure development |
| 鄂州金朝陽城市管網建設投資有限公司* | PRC | Registered capital of HK$12,500,000** | – | 80% | Urban infrastructure development |
| 玉溪市城市管道建設有限公司* | PRC | Registered capital of HK$20,000,000 | – | 80% | Urban infrastructure development |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2008 are as follows *(Continued)*:

| Company name | Place of incorporation/ operations | Particulars of nominal value of issued share capital/ registered capital | Percentage of interest held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 許昌市市政公用管網投資建設管理有限公司* | PRC | Registered capital of HK$6,000,000** | – | 80% | Urban infrastructure development |
| 廣州金朝陽城市管網建設有限公司*** | PRC | Registered capital of RMB$10,000,000 | – | 100% | Urban infrastructure development |

*Notes:*

* These subsidiaries were established as cooperative joint ventures with limited liability.

** Pursuant to the joint venture agreements, the parties from the Mainland China to the agreements are required to contribute certain urban infrastructure development rights as capital contributions to these subsidiaries. As at the balance sheet date, such urban infrastructure development rights had not been injected to the subsidiaries as capital contributions.

*** This subsidiary was established as a foreign wholly-owned limited liability company.

^ The total investment in 山水花城 was RMB50,000,000, in which RMB25,000,000 was registered capital. As at 31 December 2008, RMB13,510,000 and RMB5,290,000 have been contributed by the Group and the minority equity holder respectively. The committed balances not yet contributed by the Group and the minority equity holder amounted to RMB11,990,000 and RMB19,210,000 respectively.

# This subsidiary reduced registered capital from HK$25,000,000 to HK$13,748,000 during the year.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or assets of the Group.

# Appendix I – Major Properties held as at 31 December 2008

| Location | Approximate gross floor area *(sq.ft.)* | Land use | Lease term |
|---|---|---|---|
| 38 Russell Street, Causeway Bay, Hong Kong | 243,151 | Commercial | Long-term lease |
| 5-29 Tang Lung Street, Causeway Bay, Hong Kong | 113,700 | Commercial/ Residential | Long-term lease |
| 1-11 Jones Street and 3-11 Warren Street, Tai Hang, Hong Kong | 66,765 | Residential | Long-term lease |
| 32-50 Haven Street, Causeway Bay, Hong Kong | 192,938 | Commercial/ Residential | Long-term lease |
| 17-19 Hing Wan Street, Wanchai, Hong Kong | 11,853 | Residential | Long-term lease |
| 34 Tang Lung Street, Causeway Bay, Hong Kong | 3,748 | Commercial/ Residential | Long-term lease |
| 13-27 Warren Street, Tai Hang, Hong Kong | 81,000 | Residential | Long-term lease |

# Appendix II — Five-year Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of Soundwill Holdings Limited and its subsidiaries for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised HKFRS as appropriate. This summary does not form part of the audited financial statements.

The results for the year ended 31 December 2004 have not been adjusted for the adoption of new HKFRS issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

## CONSOLIDATED INCOME STATEMENT

| | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (Restated) | |
| Turnover | **338,991** | 464,673 | 197,464 | 162,631 | 134,378 |
| Profit before income tax | **154,786** | 1,270,108 | 499,150 | 656,463 | 39,045 |
| Income tax credit/(expense) | **4,656** | (207,170) | (76,045) | (107,831) | (13,109) |
| Profit for the year | **159,442** | 1,062,938 | 423,105 | 548,632 | 25,936 |
| Profit attributable to the equity holders of the Company | **162,471** | 1,063,285 | 422,474 | 547,423 | 26,803 |
| Minority interests | **(3,029)** | (347) | 631 | 1,209 | (867) |
| | **159,442** | 1,062,938 | 423,105 | 548,632 | 25,936 |

## CONSOLIDATED BALANCE SHEET

| | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (Restated) | |
| Non-current assets | **6,285,001** | 5,512,874 | 4,361,544 | 3,742,722 | 3,083,494 |
| Net current assets/(liabilities) | **15,670** | 262,051 | (789,152) | (104,712) | (70,061) |
| Non-current liabilities | **(2,427,650)** | (2,097,496) | (969,850) | (1,460,120) | (1,571,179) |
| Minority interests | **(33,472)** | (22,052) | (22,249) | (17,609) | (10,680) |
| Equity attributable to the equity holders of the Company | **3,839,549** | 3,655,377 | 2,580,293 | 2,160,281 | 1,431,574 |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Soundwill Holdings Limited ("the Company") will be held at 3:30 p.m., on Monday, 8 June 2009 at Unit 06, 10th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2008;

2. To declare a final dividend for the year ended 31 December 2008;

3. To elect directors and to authorise the board of directors of the Company to fix the remuneration of the directors;

4. To re-appoint auditors and to authorise the board of directors of the Company to fix their remuneration; and

5. As special business, to consider and, if thought fit, pass the following ordinary resolutions, with or without modifications:

**ORDINARY RESOLUTIONS**

A. "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK$0.10 each in the capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate number of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the number of Shares in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution,

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

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws of Bermuda or the Company's Bye-laws to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

B. "**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of Shares or rights to acquire Shares; or (iii) an issue of Shares upon the exercise of subscription or conversion rights under the terms of any existing warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares; or (iv) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the number of Shares in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

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

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws of Bermuda or the Company's Bye-laws to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of Shares or issue of option, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

C. "**THAT** conditional upon the passing of Ordinary Resolutions Nos. 5A and 5B set out in the notice convening this meeting ("this Notice"), the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company ("Shares") pursuant to Resolution No. 5B set out in this Notice be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to Resolution No. 5A set out in this Notice, provided that such extended amount shall not exceed 10 per cent. of the number of Shares in issue at the date of passing of this Resolution".

By Order of the Board
**Kwan Chai Ming**
*Company Secretary*

Hong Kong, 29 April 2009

*Head Office and Principal Place of Business:*
21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be delivered to the Company's principal office in Hong Kong at 21/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjourned meeting.

3. The Register of members of the Company will be closed from Monday, 1 June 2009 to Monday, 8 June 2009 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 29 May 2009.

金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED