



# Polytec Asset Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

# ANNUAL REPORT 2009



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# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

Or Wai Sheun (*Chairman*)  
Yeung Kwok Kwong  
Wong Yuk Ching  
Lam Chi Chung, Tommy  
Chio Koc Ieng

### Non-executive directors

Lai Ka Fai  
Anthony Francis Martin Conway<sup>#</sup>  
Siu Leung Yau<sup>#</sup>  
Liu Kwong Sang<sup>#</sup>

<sup>#</sup> *Independent non-executive directors*

## COMPANY SECRETARY

Lau Sui Cheung

## AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong  
Lai Ka Fai

## AUDITORS

KPMG

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor, Pioneer Centre  
750 Nathan Road  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Harbour Trust Co., Ltd.  
P.O. Box 897GT  
George Town  
Grand Cayman KY1-1103  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East, Wanchai  
Hong Kong

## PRINCIPAL BANKERS

Bank of China  
Hang Seng Bank

## STOCK CODE

Hong Kong Stock Exchange: 208

## WEBSITE

[www.polytecasset.com](http://www.polytecasset.com)

# Five-Year Financial Summary

The following is a summary of the published results, and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements.

## RESULTS

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	<b>1,034,405</b>	2,592,538	3,050,768	560,831	196,827
Profit from operations	<b>904,865</b>	390,458	427,057	141,827	55,302
Change in fair value of investment properties	<b>(14,000)</b>	(50,000)	—	—	105,047
Unwinding cost for contingent forward transactions	—	(485,068)	—	—	—
Loss on disposals of available-for-sale financial investments	—	(506,655)	—	—	—
Share of results of jointly controlled entities	<b>4,701</b>	(48,186)	14,772	4,433	332,826
Provision for loan advanced to a jointly controlled entity written back	—	—	—	—	18,500
Finance costs	<b>(4,729)</b>	(34,077)	(104,073)	(81,188)	(3,437)
Profit/(loss) before tax	<b>890,837</b>	(733,528)	337,756	65,072	508,238
Income tax expenses	<b>(3,725)</b>	3,232	(65,058)	(16,914)	(19,100)
Profit/(loss) after tax	<b>887,112</b>	(730,296)	272,698	48,158	489,138
Minority interests	<b>(1,349)</b>	202,747	(50,508)	(18,366)	(11,724)
Profit/(loss) attributable to equity holders of the Company	<b>885,763</b>	(527,549)	222,190	29,792	477,414

# Five-Year Financial Summary

## ASSETS AND LIABILITIES

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Total assets	<b>11,761,486</b>	13,608,904	14,435,875	11,297,351	1,358,301
Total liabilities	<b>(1,656,691)</b>	(3,293,331)	(3,717,661)	(3,529,786)	(210,756)
Minority interests	<b>(14,352)</b>	(15,363)	(67,792)	(57,602)	(52,452)
Equity attributable to equity holders of the Company	<b>10,090,443</b>	10,300,210	10,650,422	7,709,963	1,095,093

## FINANCIAL HIGHLIGHTS

	<b>2009</b>	2008	2007	2006	2005
Increase/(decrease) in turnover (%)	<b>(60)</b>	(15)	444	185	29
Increase/(decrease) in profit attributable to equity holders of the Company (%)	<b>N/A</b>	N/A	646	(94)	506
Net asset value attributable to equity holders of the Company per ordinary share ( <i>HK cents</i> )	<b>227.32</b>	232.04	239.93	178.62	89.05
Current ratio	<b>1.48</b>	1.19	2.39	2.79	7.13
Bank borrowings to equity ratio	<b>0.01</b>	0.00	0.01	0.01	0.08
Total debts to equity ratio	<b>0.09</b>	0.10	0.14	0.40	0.08
Return on equity (%)	<b>8.78</b>	(5.12)	2.09	0.39	43.60
Basic earnings/(loss) per share ( <i>HK cents</i> )	<b>19.95</b>	(11.88)	5.06	1.04	38.97
Dividends per share ( <i>HK cents</i> )	<b>2.30</b>	1.90	1.80	1.00	2.00

# Chairman's Statement

## GROUP RESULTS AND DIVIDENDS

The Group's net profit attributable to shareholders amounted to HK\$886 million for the year ended 31 December 2009 compared to a net loss of HK\$528 million in 2008.

Excluding revaluation adjustments of investment properties net of deferred tax, the underlying net profit rose to HK\$910 million for 2009 from a loss of HK\$424 million for 2008. The underlying earnings per share for 2009 amounted to 20.5 HK cents.

The Board of Directors has proposed the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2009. Together with the interim dividend of 0.8 HK cent per share and subject to the shareholders' approval of the final dividend at the annual general meeting of the Company, the full year dividend per share for 2009 will amount to 2.3 HK cents, representing an increase of 21% over 2008.

The final dividend will be payable on 28 May 2010 to the shareholders whose names appear on the register of members of the Company on 18 May 2010.

## BUSINESS REVIEW

The Group's earnings for 2009 included the final income distribution from the Group's investment in Villa de Mer, one of the Macau development projects in the Orient Pearl District which is 80% owned by the Group. The final profit recognised from this project amounted to HK\$873 million.

On 7 December 2009, the Group entered into a call option with Ufex Advisors Corp. ("Ufex"), a company incorporated in the British Virgin Islands. The option gives the Group the right to acquire Ufex's interests in its wholly owned subsidiary, Caspi Neft TME, an oil and gas company operating in Kazakhstan, at a cash consideration of approximately US\$139 million, at any time till 7 April 2010.

### Property Development

As of 31 December 2009, the Group has an interest in a development landbank in Macau of approximately 922,400 sq. m. gross floor area of which approximately 730,000 sq. m. was attributable to the Group. The majority of the sites are located adjacent to the Hong Kong-Zhuhai-Macau Bridge. The status of our major projects under development in Macau is as follows.

#### *Pacifica Garden, Taipa*

Pacifica Garden is the Group's 58% owned residential and commercial project in Taipa, Macau, with a gross floor area of 35,900 sq. m.. It has been developed as two towers, with a total of 295 residential units and retail shops on the ground floor. The residential units have already been wholly pre-sold. The construction work has been completed and it is expected that the occupation permit will be obtained shortly.

# Chairman's Statement

## *Lote P, The Orient Pearl District*

Lote P, which is an 80% owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed by phases into various luxury residential towers, together with a large shopping arcade, a club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq. m.. The master plan of the development has been approved and the building plan has been submitted to the relevant government authorities for approval.

## *Lotes T & T1, The Orient Pearl District*

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq. m.. This project, in which the Group owns an 80% interest, will be developed into a number of high-end residential blocks with retail shops and car parking spaces, having an aggregate gross floor area of approximately 186,800 sq. m.. The master plan of the development project has been approved by government with final approvals being processed.

## **Property Investment**

The Group's gross rental income generated from its investment properties rose to HK\$36.6 million for the year ended 31 December 2009, an increase of 5.7% over the corresponding period of 2008.

## **Ice and Cold Storage**

The ice manufacturing and cold storage business recorded an operating profit of HK\$13.7 million for 2009, a decline of 7.3% over the same period in 2008. While the decline in operating profit was mainly due to a sharp fall in total revenue in the cold storage business in the first half because of a slowing Hong Kong economy amid the financial crisis, the business has picked up considerably in the second half of 2009 with total segment operating profit rising slightly after a significant decline in the first half of 2009.

## **Finance and Investments**

The Group's finance and investment activities recorded an operating profit of HK\$30 million in 2009 compared with a loss of HK\$1,131 million in 2008 when the meltdown on the global financial markets significantly impaired the Group's then financial investment portfolio.

As of 31 December 2009, the total value of the Group's financial investments was HK\$8.4 million compared with HK\$28.7 million at end-2008, and the Group did not have any commitments under forward agreements at end-December 2009 compared with HK\$106 million at end-December 2008. The Group will cease its non-strategic financial investment activities and will in future concentrate its resources and efforts on its property development and oil and gas businesses.

# Chairman's Statement

## FINANCIAL REVIEW

As of 31 December 2009, total asset value of the Group amounted to HK\$11,761 million and net asset value amounted to HK\$10,105 million, with cash and cash equivalents of HK\$280 million mainly denominated in Hong Kong dollars.

As of 31 December 2009, the major current liabilities of the Group consisted of deposits received from the pre-sale of properties at Pacifica Garden of HK\$532 million which represented deferred revenue of the Group and will not have any cash outflow effect on the Group.

In March 2009, the Group obtained new banking facilities in the total amount of HK\$195 million, secured by the Group's interest in certain properties. These new banking facilities bear interest at the prevailing market rates and have a three-year term. As of 31 December 2009, the Group had utilised part of these banking facilities to the extent of HK\$60 million.

The amounts due to holding companies include (a) the outstanding balance of HK\$566 million owed to the ultimate holding company which balance is unsecured, bears interest at bank lending rates and is repayable only when the liquidity position of the Group permits, and (b) a working capital advance of HK\$292 million from the immediate holding company of the Company, which is unsecured, bears interest at prevailing market rates and has no fixed repayment terms.

The Group's gearing ratio, expressed as a percentage of total borrowings, which include total bank borrowings and the total amounts due to the holding companies of the Company, over the equity attributable to equity holders of the Company, fell to 9.1% at end-2009 from 9.6% at end-2008.

## PROSPECTS

Following a noticeable contraction in the first half of 2009, the Macau economy has been recovering rapidly in the second half, with gross domestic product growing at a rate of 8.2% in the third quarter last year. The economic rebound in Macau has been largely attributable to a significant improvement in the Asian economy after governments around the globe cut their respective interest rates to exceptionally low levels and launched unprecedented fiscal stimulus packages and liquidity programs to revive their economies during the worst financial crisis over decades.

There are some positive fundamentals supporting Macau growth prospects for 2010. First of all, the performance of the gaming industry, the main driving force of economic growth, has been encouraging, with gross gaming revenue picking up strongly in the second half of 2009 following a contraction in the first six months of last year. In addition, the local property market also appears to have rebounded strongly, with property transaction volume and housing prices returning to the pre-crisis levels since the third quarter last year.



# Chairman's Statement

We believe the property market will benefit from an anticipated pickup in investment in some large development projects in the gaming industry and the government's various planned mega infrastructure projects. With the Group's sizeable undeveloped landbank located adjacent to the landing point of the Hong Kong-Zhuhai-Macau Bridge, the Group's property development business is well positioned to take advantage of Macau's prosperity.

We have pre-sold 100% of the residential units of Pacifica Garden and the profit from which will be booked in the first half of 2010. The master layout plans of the Group's two other large new development projects in the Orient Pearl district have been approved and we are expecting other formalities to be cleared by the relevant government authorities in the next few months.

Following our successful record of quality and profitable development, including the most recent Villa de Mer project, we are confident we will continue to create value for our shareholders as we develop our land resources in Macau.

After reviewing the effect of the financial turbulence of 2008 on the results of the Company's financial investment activities, it has been decided to cease its non-strategic financial investment activities in order to avoid unforeseeable risks to the Group's future profitability.

The ultimate holding company of the Company has been engaged in the oil sector for some years. This activity is managed by an experienced team of professionals including veterans from Asia and North America. As mentioned in our interim report published in September last year, the Group has decided, with the assistance of the ultimate holding company, to expand its business to the oil and gas sector. The credit crunch has thrown up a number of opportunities to acquire assets in this sector at competitive prices.

In December last year, the Group made its first deal in the oil and gas sector by entering into a call option over the interests in Caspi Neft TME described above. It is expected that the option will be exercised by the Group as soon as the necessary approvals have been granted by the Kazakhstan government. If the option is exercised, detailed information will be provided to shareholders in compliance with Listing Rules requirements.

Looking forward, we will continue to explore more merger and acquisition opportunities in the oil and gas sector. With the full support of the ultimate holding company, we have confidence we will secure more projects in this area.

I would like to take this opportunity to express my gratitude to my fellow directors for their support and all staff for their dedication.

**Or Wai Sheun**

*Chairman*

Hong Kong, 1 March 2010

# Report of the Directors



The directors present their report and the audited financial statements of the Group for the year ended 31 December 2009.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 37 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Group at that date are set out in the financial statements on pages 24 to 74.

An interim dividend of HK\$0.008 per share was paid on 16 October 2009. The directors now recommend the payment of a final dividend of HK\$0.015 per share to the shareholders whose names appear on the register of members of the Company on 18 May 2010, estimated to be HK\$66,584,000.

## FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in notes 13 to 15 to the financial statements.

## SHARE CAPITAL

Details of the movements in issued share capital of the Company during the year are set out in note 28 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2009, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$2,503,427,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2009, the Company's share premium account amounted to HK\$5,912,600,000.

# Report of the Directors

## DIRECTORS

The directors of the Company during the year were:

### Executive directors

Mr. Or Wai Sheun (*Chairman*)

Mr. Yeung Kwok Kwong

Ms. Wong Yuk Ching

Mr. Lam Chi Chung, Tommy

Ms. Chio Koc Ieng

### Non-executive director

Mr. Lai Ka Fai

### Independent non-executive directors

Mr. Anthony Francis Martin Conway

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

The directors of the Company, including the non-executive director and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching and Mr. Liu Kwong Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Securities Listing on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers all the independent non-executive directors to be independent.

## DIRECTORS' SERVICE CONTRACTS

No directors 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.

# Report of the Directors

## DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts with the Group during the year are set out in notes 33(a), (b), (d), (e) and (f).

Save as disclosed above, no director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, 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 the directors to acquire such rights in any other body corporate.

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

At 31 December 2009, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### Long positions in shares of the Company

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Directly beneficially owned	2,000,000	0.05%
Ms. Wong Yuk Ching	Directly beneficially owned	6,655,000	0.15%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	230,000	0.01%
Ms. Chio Koc Ieng	Directly beneficially owned	270,000	0.01%
Mr. Lai Ka Fai	Directly beneficially owned	430,000	0.01%

# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### Long positions in shares of associated corporation — Kowloon Development Company Limited ("KDC")

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital
			(Note 3)
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	812,230,124	70.59%
	Through controlled corporation	277,500	0.02%
Mr. Yeung Kwok Kwong	Directly beneficially owned	165,000	0.01%
Ms. Wong Yuk Ching	Directly beneficially owned	1,110,000	0.10%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	15,000	0.00%
Ms. Chio Koc leng	Directly beneficially owned	210,000	0.02%
Mr. Lai Ka Fai	Directly beneficially owned	701,000	0.06%

Save as disclosed above, as at 31 December 2009, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### Notes:

- As at 31 December 2009, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
- Mr. Or Wai Sheun was deemed to be interested in 812,230,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.

The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by Mr. Or Wai Sheun is the same interests in the Company as disclosed by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited under the heading of "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" below.

- As at 31 December 2009, the total number of issued shares in KDC was 1,150,681,275 ordinary shares.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital
			(Note 1)
The Or Family Trustee Limited Inc. (Notes 2 and 4)	Through controlled corporation	3,260,004,812	73.44%
HSBC International Trustee Limited (Notes 3 and 4)	Trustee	3,260,004,812	73.44%
Kowloon Development Company Limited (Note 4)	Through controlled corporation	3,260,004,812	73.44%

Save as disclosed above, as at 31 December 2009, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Notes:

1. As at 31 December 2009, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. The Or Family Trustee Limited Inc. holds 812,230,124 ordinary shares in KDC (being 70.59% of the issued ordinary share capital of KDC) and, therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
3. Based on information available to the Company, HSBC International Trustee Limited holds 812,344,474 ordinary shares in KDC (being 70.60% of the issued ordinary share capital of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
4. The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited (the "Disclosed Shareholders") respectively and by Mr. Or Wai Sheun under the heading of "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above are the same interests in the Company.

According to the register of the Company, as at 31 December 2009, the Disclosed Shareholders were interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary share capital of the Company). On specific enquiries made, the Disclosed Shareholders have confirmed that the Disclosed Shareholders were interested in 3,260,004,812 ordinary shares in the Company. There is a difference of 15,000,000 ordinary shares between the actual numbers of shares interested in of the Disclosed Shareholders and the number of shares interested in as disclosed by the Disclosed Shareholders because the Disclosed Shareholders do not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

# Report of the Directors

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **SHARE OPTION SCHEME**

Detailed disclosures relating to the Company's share option schemes are set out in note 29 to the financial statements.

## **EMPLOYEES**

As at 31 December 2009, the total number of employees of the Group was about 80. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 29 to the financial statements.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **CHARITABLE DONATIONS**

During the year, the Group made charitable donations amounting to HK\$10,000.

# Report of the Directors



## MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover were attributable to the Group's five largest customers.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 May 2010 to Tuesday, 18 May 2010 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2009. In order to qualify for the entitlement of the final dividend, the shareholders must ensure that all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 May 2010.

## AUDITORS

Messrs. KPMG will retire at the forthcoming annual general meeting and a resolution for the reappointment of Messrs. KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

**Or Wai Sheun**

*Chairman*

Hong Kong

1 March 2010



# Corporate Governance Report

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

The Company has complied with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, save for the few exceptions mentioned below.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's affairs. The Board formulates the overall strategic direction and review and approves major transaction of the Group, while the management is delegated with the power to implement policies and strategies as set out by the Board. The Board also acknowledges its responsibilities for preparing the financial statements of the Company.

The Board has a balanced composition of executive and non-executive directors. Currently, the Board comprises five Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng, one Non-executive Director, being Mr. Lai Ka Fai, and three Independent Non-executive Directors, being Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. The Directors have no financial, business, family or other material/relevant relationship. The profiles of the Directors, which are set out on pages 20 to 21, demonstrate a balance of skills and experience of the Board.

The Board has established an executive committee to delegate its management and administration functions and has formalised the function reserved by the Board and those delegated to the management. Clear direction has also been given as to the power of the management.

During the year, the Board has held four board meetings. The attendance of the Directors at the board meetings was as follows:

<b>Directors</b>	<b>Number of attendance</b>
Mr. Or Wai Sheun ( <i>Chairman of the Board</i> )	4/4
Mr. Yeung Kwok Kwong	4/4
Ms. Wong Yuk Ching	4/4
Mr. Lam Chi Chung, Tommy	4/4
Ms. Chio Koc Ieng	4/4
Mr. Lai Ka Fai	4/4
Mr. Anthony Francis Martin Conway	4/4
Mr. Siu Leung Yau	4/4
Mr. Liu Kwong Sang	4/4

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The responsibility of the Chairman of the Board is to lead the Board to provide high-level guidance and oversight to the Group, while the Managing Director is delegated with the power to implement policies and strategies as set out by the Board.

## AUDIT COMMITTEE

The present members of the Audit Committee are two Independent Non-executive Directors, being Mr. Liu Kwong Sang (Chairman) and Mr. Siu Leung Yau and one Non-executive Director, being Mr. Lai Ka Fai. During the year, the Audit Committee has held two meetings. The attendance of the Audit Committee members at the audit committee meetings was as follows:

<b>Directors</b>	<b>Number of attendance</b>
Mr. Liu Kwong Sang ( <i>Chairman of the Audit Committee</i> )	2/2
Mr. Siu Leung Yau	2/2
Mr. Lai Ka Fai	2/2

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system. The roles of the Audit Committee include maintaining a close relationship with the external auditors, reviewing of financial information of the Company and overseeing of the Company's financial reporting system and internal control procedure.

During the year, the Audit Committee reviewed the audited financial statements for 2008 and the interim financial statements for 2009 and met with the external auditors and the management of the Company to discuss issues arising from the audit of the financial statements. The Audit Committee also reviewed the effectiveness of the system of internal control of the Group, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and relevant training programmes and budget.

# Corporate Governance Report

## REMUNERATION OF DIRECTORS

The present members of the Remuneration Committee are one Executive Director, Mr. Yeung Kwok Kwong (Chairman) and three Independent Non-executive Directors, Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. During the year, the Remuneration Committee has held one committee meeting. The attendance of the Remuneration Committee members at the Remuneration Committee meeting was as follows:

<b>Directors</b>	<b>Number of attendance</b>
Mr. Yeung Kwok Kwong ( <i>Chairman of the Remuneration Committee</i> )	1/1
Mr. Anthony Francis Martin Conway	1/1
Mr. Siu Leung Yau	1/1
Mr. Liu Kwong Sang	1/1

The roles of the Remuneration Committee include formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, time commitment and responsibilities, desirability of performance based remuneration, and individual performance of the Directors and Senior Management, and implement the remuneration policy laid down by the Board.

During the year, the Remuneration Committee has reviewed the remuneration policy of the Company, the directors' fees to the Non-executive Directors and the remuneration package of the Executive Directors.

## NOMINATION OF DIRECTORS

The Company currently does not have a nomination committee. To maintain high quality of the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become Directors when necessary. The Board will consider the experience, qualification and other relevant factors, including the standards set out in rules 3.08 and 3.09 of the Listing Rules and rule 3.13 of the Listing Rules in case of Independent Non-executive Directors, of the eligible candidates.

## NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors do not have a specific term of appointment, but subject to rotation in accordance with article 108(A) of the articles of association of the Company. As the Non-executive Directors are subject to rotation in accordance with the articles of association of the Company, the Board considers that the Non-executive Directors so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code on Corporate Governance Practices.

# Corporate Governance Report

## APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

The first sentence of Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company.

As the Director appointed to fill a casual vacancy shall subject to re-election in the next following annual general meeting of the Company in accordance with the articles of association of the Company which complies with paragraph 4(2) of the Appendix 3 of the Listing Rules, the Board considers that the Directors so appointed subject to election by shareholders at the next following annual general meeting of the Company after their appointment will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code on Corporate Governance Practices.

The Company did not have any deviation from the first sentence of Code Provision A.4.2 during the year.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year.

## INTERNAL CONTROLS

The Board has the overall responsibilities of maintaining a sound and effective internal control system for the Group. The Group's system of internal control includes a defined management structure with limits of authority. The system is designed to help the Group to achieve business objectives, safeguard assets against unauthorised use, ensure the maintenance of proper accounting records for the provision of reliable financial information, and ensure compliance with relevant legislation and regulations. The system is designed to manage risks of failure in operational systems and foster achievement of corporate objectives. The internal control system is subject to the review of the Audit Committee.

## AUDITORS' REMUNERATION

During the year, the remuneration paid to KPMG, the Company's auditors, are set out below:

	<i>HK\$'000</i>
Services rendered	
— audit services	1,120

# Profile of Directors

## EXECUTIVE DIRECTORS

**Mr. Or Wai Sheun**, aged 58, joined the Company in April 2006 as the Chairman of the Board. Mr. Or has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr. Or is also the chairman of the board of directors of Kowloon Development Company Limited, Intellinsight Holdings Limited, Polytec Holdings International Limited and a director of Marble King International Limited and Or Family Trustee Limited Inc., all five companies being substantial shareholders of the Company.

**Mr. Yeung Kwok Kwong**, aged 51, joined the Company in September 2000 as the Chairman of the Board and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 25 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited and a director of Marble King International Limited, both companies being substantial shareholders of the Company.

**Ms. Wong Yuk Ching**, aged 53, joined the Company in January 2002 as Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

**Mr. Lam Chi Chung, Tommy**, aged 55, joined the Company in October 2005 as Executive Director. Prior to joining the Company, he previously held executive director positions in other listed companies in Hong Kong. He has expertise and extensive experience in the banking, international finance, project advisory and fund management fields. He is currently responsible for the development of corporate strategies, corporate planning and corporate finance of the Group. Mr. Lam graduated from the University of Windsor, Canada with a bachelor degree of science in computer science and mathematics and also attained a master's degree of business administration in accounting and management sciences from Long Island University, U.S.A.

**Ms. Chio Koc Ieng**, aged 43, joined the Group in December 2004 and was appointed as Executive Director in April 2006. She has attained 20 years of working experience in various prominent and well-established property development companies in Macau. She is responsible for development of corporate strategies, corporate planning and general management of the Group.

# Profile of Directors

## NON-EXECUTIVE DIRECTOR

**Mr. Lai Ka Fai**, aged 45, joined the Company in September 2000 as Executive Director, and was re-designated as Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an executive director of Kowloon Development Company Limited and a director of Marble King International Limited and Intellinsight Holdings Limited, all three companies being substantial shareholders of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Anthony Francis Martin Conway**, aged 69, joined the Company in September 2000 as Independent Non-executive Director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association I.T. Management Committee. Mr. Conway is an independent non-executive director of Armitage Technologies Holding Limited and Wing On Company International Limited and was also an independent non-executive director of PME Group Limited, all three companies whose shares are listed in the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

**Mr. Siu Leung Yau**, aged 56, joined the Company in September 2000 as Independent Non-executive Director. Mr. Siu has over 25 years' experience in real estate investment, development, asset management, sale and agency management. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of Guangzhou Tianhe Political Consultative Committee and the Deputy Director of the Hong Kong and Macau Committee. He is also a vice governor of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited, a vice president of Hong Kong Chamber of Commerce in China Guangdong and the chairman of its real estate committee and a member of the Hong Kong Institute of Real Estate Administrators.

**Mr. Liu Kwong Sang**, aged 47, joined the Company in July 2000 as Independent Non-executive Director. He has been practising as a certified public accountant in Hong Kong with more than 18 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants and a fellow member of the National Institute of Accountants, Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as an independent non-executive director of China Railsmedia Corporation Limited and of abc Multiactive Limited, whose securities are listed on the main board and GEM board of The Stock Exchange of Hong Kong Limited respectively, and of Pacific CMA, Inc. whose securities were previously listed on the American Stock Exchange. Mr. Liu was also an independent non-executive director of Tack Fat Group International Limited, whose securities are listed on the main board of The Stock Exchange of Hong Kong Limited.

# Independent Auditor's Report



## **Independent Auditor's Report to the Shareholders of Polytec Asset Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 24 to 74, which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

# Independent Auditor's Report



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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 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.

## KPMG

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

1 March 2010



# Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
TURNOVER	5	<b>1,034,405</b>	2,592,538
Cost of sales		<b>(99,792)</b>	(2,207,262)
Gross profit		<b>934,613</b>	385,276
Other operating income	5	<b>31,868</b>	77,147
Selling and distribution costs		<b>(4,286)</b>	(8,316)
Administrative expenses		<b>(28,723)</b>	(17,006)
Other operating expenses		<b>(28,607)</b>	(46,643)
PROFIT FROM OPERATIONS		<b>904,865</b>	390,458
Loss arising from change in fair value of investment properties		<b>(14,000)</b>	(50,000)
Unwinding cost for contingent forward transactions	6(b)	—	(485,068)
Loss on disposal of available-for-sale financial investments	6(c)	—	(506,655)
Share of results of jointly controlled entity		<b>4,701</b>	(48,186)
Finance costs	8	<b>(4,729)</b>	(34,077)
PROFIT/(LOSS) BEFORE TAX	6	<b>890,837</b>	(733,528)
Income tax expenses	9	<b>(3,725)</b>	3,232
PROFIT/(LOSS) FOR THE YEAR		<b>887,112</b>	(730,296)
ATTRIBUTABLE TO			
— Equity holders of the Company	10	<b>885,763</b>	(527,549)
— Minority interests		<b>1,349</b>	(202,747)
		<b>887,112</b>	(730,296)
EARNINGS/(LOSS) PER SHARE — basic/diluted	11	<b>19.95 HK cents</b>	(11.88 HK cents)

The notes on pages 31 to 74 form part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<b>887,112</b>	(730,296)
OTHER COMPREHENSIVE INCOME:		
(Loss)/gain on fair value changes of interests in property development	<b>(134,112)</b>	768,437
Loss in respect of fair value changes of available-for-sale financial investments	—	(506,655)
Transfer to income statement upon recognition from interests in property development	<b>(872,639)</b>	(506,760)
Transfer to income statement upon disposal of available-for-sale financial investments	—	506,655
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<b>(1,006,751)</b>	261,677
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>(119,639)</b>	(468,619)
ATTRIBUTABLE TO		
— Equity holders of the Company	<b>(120,988)</b>	(265,872)
— Minority interests	<b>1,349</b>	(202,747)
	<b>(119,639)</b>	(468,619)

The notes on pages 31 to 74 form part of these financial statements.

# Consolidated Balance Sheet

At 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	32,725	35,055
Prepaid lease payments	14	102,937	105,757
Investment properties	15	86,000	100,000
Interest in jointly controlled entity	16	370,226	365,525
Interests in property development	17	10,116,880	10,251,062
Goodwill	18	16,994	16,994
		<b>10,725,762</b>	10,874,393
<b>CURRENT ASSETS</b>			
Amount due from jointly controlled entity	19	174,693	196,004
Held for trading investments	20	8,385	28,688
Derivative financial instrument	21(a)	7,800	—
Inventories	22	525,753	461,152
Interests in property development	17	—	1,601,329
Trade and other receivables	23	36,032	32,234
Prepaid lease payments	14	2,820	2,820
Margin deposits		—	17,847
Cash and cash equivalents	24	280,241	394,437
		<b>1,035,724</b>	2,734,511
<b>CURRENT LIABILITIES</b>			
Trade and other payables	25	607,505	540,969
Amount received from interests in property development	33(b)	—	1,613,516
Derivative financial instruments	21(b)	—	19,903
Bank loans	26	—	36,700
Current taxation		92,257	92,744
Amount due to minority shareholder	33(c)	—	1,622
		<b>699,762</b>	2,305,454
<b>NET CURRENT ASSETS</b>		<b>335,962</b>	429,057
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,061,724</b>	11,303,450

# Consolidated Balance Sheet

At 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loan	26	60,000	—
Amount due to immediate holding company	33(f)	291,807	263,185
Amount due to ultimate holding company	33(a)	566,374	686,497
Deferred taxation	27	38,748	38,195
		<b>956,929</b>	987,877
<b>NET ASSETS</b>			
		<b>10,104,795</b>	10,315,573
<b>CAPITAL AND RESERVES</b>			
Share capital	28	443,897	443,897
Reserves		9,646,546	9,856,313
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
		<b>10,090,443</b>	10,300,210
MINORITY INTERESTS		14,352	15,363
<b>TOTAL EQUITY</b>			
		<b>10,104,795</b>	10,315,573

The financial statements were approved and authorised for issue by the board of directors on 1 March 2010.

**Or Wai Sheun**  
Director

**Yeung Kwok Kwong**  
Director

The notes on pages 31 to 74 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company					Minority	Total
	Share capital	Share premium account	Fair value reserve	Retained profits	Total	interests	equity
						HK\$'000	HK\$'000
At 1 January 2009	443,897	5,912,600	3,827,631	116,082	10,300,210	15,363	10,315,573
Dividends paid to equity holders of the Company (note 12)	—	—	—	(88,779)	(88,779)	—	(88,779)
Dividends paid to minority shareholders	—	—	—	—	—	(2,360)	(2,360)
Total comprehensive income for the year	—	—	(1,006,751)	885,763	(120,988)	1,349	(119,639)
At 31 December 2009	443,897	5,912,600	2,820,880	913,066	10,090,443	14,352	10,104,795
At 1 January 2008	443,897	5,912,600	3,565,954	727,971	10,650,422	67,792	10,718,214
Dividends paid to equity holders of the Company (note 12)	—	—	—	(84,340)	(84,340)	—	(84,340)
Dividends paid to minority shareholders	—	—	—	—	—	(14,772)	(14,772)
Loans from minority shareholders (note 30)	—	—	—	—	—	165,090	165,090
Total comprehensive income for the year	—	—	261,677	(527,549)	(265,872)	(202,747)	(468,619)
At 31 December 2008	443,897	5,912,600	3,827,631	116,082	10,300,210	15,363	10,315,573

The notes on pages 31 to 74 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		<b>890,837</b>	(733,528)
Adjustments for:			
Loss arising from change in fair value of investment properties		<b>14,000</b>	50,000
Share of results of jointly controlled entity		<b>(4,701)</b>	48,186
Dividend income from listed securities		<b>(190)</b>	(19,803)
Interest income		<b>(61)</b>	(5,624)
Income from interests in property development	31	<b>(872,639)</b>	(506,760)
(Gain)/loss arising from change in fair value of held for trading investments		<b>(4,785)</b>	17,739
Gain arising from change in fair value of derivative financial instruments, net		<b>(19,903)</b>	(44,502)
Depreciation		<b>3,050</b>	2,790
Amortisation of prepaid lease payments		<b>2,820</b>	2,820
Impairment loss on inventories		<b>—</b>	3,657
(Gain)/loss on disposal of property, plant and equipment		<b>(10)</b>	7
Finance costs		<b>4,729</b>	34,077
Operating cash flow before working capital changes		<b>13,147</b>	(1,150,941)
Decrease in held for trading investments		<b>25,088</b>	472,420
Increase in inventories		<b>(64,601)</b>	(153,182)
Increase in trade and other receivables		<b>(3,798)</b>	(1,505)
Decrease in margin deposits		<b>17,847</b>	273,599
Increase in trade and other payables		<b>65,651</b>	22,446
Cash generated from/(used in) operations		<b>53,334</b>	(537,163)
Amount (refunded to)/received from interests in property development	31	<b>(12,117)</b>	336,300
Interest received		<b>61</b>	5,624
Interest paid		<b>(563)</b>	(1,360)
Dividends received from listed securities		<b>190</b>	19,803
Tax paid		<b>(3,659)</b>	(2,482)
Net cash generated from/(used in) operating activities		<b>37,246</b>	(179,278)

# Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(720)	(1,174)
Repayment of advance to jointly controlled entity		21,311	20,427
Proceeds from disposal of property, plant and equipment		10	—
Acquisition of derivative financial instrument		(7,800)	—
Net cash generated from investing activities		12,801	19,253
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts advanced from immediate holding company		597,041	1,092,689
Repayments of amount due to immediate holding company	31	(568,714)	(728,000)
Repayments of amount due to ultimate holding company	31	(123,981)	—
Inception of bank loan		87,000	—
Repayments of bank loans		(63,700)	(18,000)
Repayments of amounts due to minority shareholders		(3,110)	(9,735)
Dividend paid to equity holders of the Company		(88,779)	(84,340)
Dividend paid to minority shareholders		—	(8,400)
Net cash (used in)/generated from financing activities		(164,243)	244,214
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(114,196)	84,189
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		394,437	310,248
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		280,241	394,437
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>			
Cash and bank balances		280,241	394,437

The notes on pages 31 to 74 form part of these financial statements.

# Notes to Financial Statements

31 December 2009

## 1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the balance sheet date, the parent of the Company (the "Immediate Holding Company") is Marble King International Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company (the "Ultimate Holding Company") is Polytec Holdings International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in page 2 of the annual report.

During the year, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are investment holding, properties investment, development and trading, securities investment and trading and manufacturing of ice and provision of cold storage service. There were no significant changes in the nature of the Group's principal activities during the year.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out in note 3.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 35.

The HKICPA has issued a number of new and revised HKFRS that are effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs has no material impact on the Group's financial statements, excepted that the adoption of HKAS 1 (revised 2007) "Presentation of Financial Statements", HKFRS 7 (Amendments) "Financial Instruments: Disclosures" and HKFRS 8 "Operating Segments" has resulted in new or amended presentations and disclosures in the financial statements.



# Notes to Financial Statements

31 December 2009

## 2. BASIS OF PREPARATION *(continued)*

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in these financial statements.

As a result of the adoption of HKFRS 7 (Amendments), the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

HKFRS 8 requires segment disclosures to be based on the way that the Group's top management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's top management for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. However, the adoption of HKFRS 8 does not result in any change in reportable segments of the Group.

As a result of the application of HKAS 1 (revised 2007) "Presentation of Financial Statements" and HKFRS 8 "Operating Segments", certain comparative information has been restated to conform with current presentation.

# Notes to Financial Statements

31 December 2009

## 2. BASIS OF PREPARATION *(continued)*

The Group has not early adopted the following new or revised HKFRSs, which are not yet effective, in the financial statements for the year ended 31 December 2009. The Group anticipates that the application of these HKFRSs may not have material impact on the Group's financial statements, excepted that HK – Int 4 (Amendments), Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases, may result in amended presentations and discloses in the financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 2 (Amendments)	Share-based Payment <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) — Int 14 (Amendments)	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) — Int 18	Transfers of Assets from Customers <sup>3</sup>
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>6</sup>
HK — Int 4 (Amendments)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December, together with the Group's share of the results for the year and net assets of its jointly controlled entity. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All intercompany transactions and balances within the Group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Subsidiaries are entities controlled by the Group. Control exists when the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

A separate set of financial statements at the Company's level for the year ended 31 December 2009, which have been prepared in accordance with HKFRSs, are available in due course at the Company's principal place of business as disclosed in page 2 of the annual report.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition and is stated at cost less accumulated impairment losses and presented separately in the balance sheet.

Such goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 was amortised on a straight-line basis over its useful economic life at a rate of 5% per annum up to 31 December 2004. From 1 January 2005 onwards, the Group has discontinued amortisation of such goodwill and such goodwill is subject to impairment testing.

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

On subsequent disposal of a subsidiary, the carrying amount of goodwill attributable to the relevant subsidiary is included in the determination of the amount of profit or loss on disposal.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life as follows:

Buildings situated on leasehold land	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/completion
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	2 to 5 years
Motor vehicles	4 to 5 years

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of a property, plant and equipment included in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Leasing

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. 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 on a straight-line basis over the lease term.

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

### Investment properties

Interests in land and buildings held for rental purposes are recorded as investment properties. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Joint ventures**

A joint venture is a contractual arrangement, whereby the Group and other parties undertake an economic activity in which the Group and the other parties control, directly or indirectly, the financial and operating policies of such economic activity so as to obtain benefits from its activities.

#### *Jointly controlled assets*

When the Group undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

#### *Jointly controlled entities*

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting unless a jointly controlled entity is classified as held for sale. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity. When the Group transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

### **Interests in property development**

Interests in property development are stated at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, unless there is objective evidence that the interests in property development have been impaired, any amount held in fair value reserve in respect of the interests in property development are transferred to profit or loss for the period in which the impairment is identified. Any reversal of impairment losses are recognised in profit or loss. The fair value of interests in property development is determined based on the estimated entitlement on the interests in property development. When the interests in property development are derecognised, the cumulative gain or loss is transferred from equity to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments**

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

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

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances, margin deposits and amount due from jointly controlled entity) are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors and significant changes in technological, market, economic or legal environment that have an adverse effect on the debtors. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Non-derivative financial assets which do not fall into any of the above categories are classified as available-for-sale financial assets and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in the fair value reserve, except for impairment losses. When these investments are derecognised or impaired, the cumulative gain or loss is transferred from equity to profit or loss.

For available-for-sale equity financial assets, an impairment loss is not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

For available-for-sale debt financial assets, reversal of an impairment loss is recognised in profit or loss.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial instruments** *(continued)*

#### *Financial liabilities and equity*

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

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *Other financial liabilities*

Financial liabilities other than financial liabilities at fair value through profit or loss including bank loans, amount due to minority shareholder, trade and other payables and balances with group companies and are subsequently measured at amortised cost, using the effective interest rate method.

#### *Derivatives*

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised in profit or loss.

### **Inventories**

Properties held for sale and under development for sale are stated at the lower of cost and net realisable value. Net realisable value of properties held for sale represents the estimated selling price less costs to be incurred in selling the properties. Net realisable value of properties held under development for sale represents the estimated selling price less costs to be incurred in development and selling of the properties.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Impairment of assets other than goodwill and financial instruments**

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised for an asset in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to profit or loss in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates of the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is credited to profit or loss in the period in which it arises.

### **Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income, in which case they are recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liabilities is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Other provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, 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.

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

### **Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. Payments to MPF Scheme are charged as an expense as they fall due.

### Revenue recognition

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

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither continuous managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- from the sale of completed properties, upon the execution of a binding sale agreement;
- from the sale of development properties sold in advance of completion, upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities;
- income from interests in property development, when the distribution in respect of the investment is entitled;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;
- service income, when service is rendered to the customers;
- dividends, when the shareholders' right to receive payment has been established; and
- rental income, on straight-line basis over the lease term.



## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Related parties**

For the purposes of these financial statements, a party is considered to be related to the Group if 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; the Group and the party are subject to common control; the party is an associated company of the Group or a joint venture in which the Group is a venturer. Related parties may be individuals or other entities.

### **Segment reporting**

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.



# Notes to Financial Statements

31 December 2009

## 4. SEGMENT INFORMATION

The Group had three (2008: three) operating segments for the year which included properties investment, trading and development related activities ("Properties"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and financial investment and related activities ("Financial Investments"). As all segments of the Group are operating in the People's Republic of China, including Hong Kong and Macau, no geographical information has further been disclosed.

	<b>Properties</b> <i>HK\$'000</i>	<b>Ice and Cold Storage</b> <i>HK\$'000</i>	<b>Financial Investments</b> <i>HK\$'000</i>	<b>2009 Total</b> <i>HK\$'000</i>
Turnover	<b>887,282</b>	<b>51,157</b>	<b>95,966</b>	<b>1,034,405</b>
Segment result	<b>879,953</b>	<b>13,701</b>	<b>30,442</b>	<b>924,096</b>
Corporate portion				<b>(19,231)</b>
Profit from operations				<b>904,865</b>
Loss arising from change in fair value of investment properties	<b>(14,000)</b>	—	—	<b>(14,000)</b>
Share of results of jointly controlled entity	<b>4,701</b>	—	—	<b>4,701</b>
Finance costs				<b>(4,729)</b>
Profit before tax				<b>890,837</b>
Segment assets	<b>10,755,229</b>	<b>163,518</b>	<b>8,385</b>	<b>10,927,132</b>
Interest in and amount due from jointly controlled entity	<b>544,919</b>	—	—	<b>544,919</b>
Corporate assets				<b>289,435</b>
				<b>11,761,486</b>
Capital expenditure incurred	—	<b>716</b>	—	<b>720</b>
Gain arising from change in fair value of derivative financial instruments, net	—	—	<b>19,903</b>	<b>19,903</b>
Depreciation and amortisation	<b>7</b>	<b>5,817</b>	—	<b>5,870</b>
Gain arising from change in fair value of held for trading investments	—	—	<b>4,785</b>	<b>4,785</b>

# Notes to Financial Statements

31 December 2009

## 4. SEGMENT INFORMATION (continued)

	Properties HK\$'000	Ice and Cold Storage HK\$'000	Financial Investments HK\$'000	2008 Total HK\$'000
Turnover	533,678	51,133	2,007,727	2,592,538
Segment result	523,126	14,786	(139,443)	398,469
Corporation portion				(8,011)
Profit from operations				390,458
Loss arising from change in fair value of investment properties	(50,000)	—	—	(50,000)
Unwinding cost for contingent forward transactions	—	—	(485,068)	(485,068)
Loss on disposal of available-for-sale financial investments	—	—	(506,655)	(506,655)
Share of results of jointly controlled entity	(48,186)	—	—	(48,186)
Finance costs				(34,077)
Loss before tax				(733,528)
Segment assets	12,439,467	165,686	46,886	12,652,039
Interest in and amount due from jointly controlled entity	561,529	—	—	561,529
Corporate assets				395,336
				13,608,904
Capital expenditure incurred	—	1,032	—	1,174
Gain arising from change in fair value of derivative financial instruments, net	—	—	44,502	44,502
Depreciation and amortisation	7	5,563	—	5,610
Loss arising from change in fair value of held for trading investments	—	—	17,739	17,739
Impairment loss on inventories	3,657	—	—	3,657

# Notes to Financial Statements

31 December 2009

## 5. TURNOVER AND OTHER OPERATING INCOME

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Turnover</b>		
Sale of goods	<b>31,391</b>	29,162
Sale of properties	<b>10,470</b>	26,918
Service income	<b>19,766</b>	21,971
Rental income from investment properties	<b>4,173</b>	—
Income from interests in property development	<b>872,639</b>	506,760
Proceeds from sale of trading securities	<b>95,966</b>	2,007,727
	<b>1,034,405</b>	2,592,538
<b>Other operating income</b>		
Rental income from properties held for sale	<b>6,155</b>	6,277
Dividend income from listed securities	<b>190</b>	19,803
Bank and other interest income	<b>61</b>	5,624
Gain arising from change in fair value of held for trading investments	<b>4,785</b>	—
Gain arising from change in fair value of derivative financial instruments, net	<b>19,903</b>	44,502
Others	<b>774</b>	941
	<b>31,868</b>	77,147



# Notes to Financial Statements

31 December 2009

## 6. PROFIT/LOSS BEFORE TAX

### (a) Profit/loss before tax is arrived at after charging/(crediting):

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Staff costs (excluding directors' remuneration):		
Wages and salaries	<b>13,112</b>	11,713
Contributions to retirement benefit scheme	<b>524</b>	514
	<b>13,636</b>	12,227
Depreciation of property, plant and equipment	<b>3,050</b>	2,790
Amortisation of prepaid lease payments	<b>2,820</b>	2,820
Minimum lease payments under operating leases in respect of land and buildings	<b>1,278</b>	1,308
Auditors' remuneration	<b>1,140</b>	1,020
Cost of inventories recognised as expenses	<b>2,900</b>	17,010
Exchange loss	<b>25</b>	177
Direct operating expenses arising from investment properties that did not generate rental income	—	387
Direct operating expenses arising from investment properties that generated rental income	<b>457</b>	—
Impairment loss on inventories	—	3,657
Realised loss on held for trading investments	—	188,949
(Gain)/loss arising from change in fair value of held for trading investments	<b>(4,785)</b>	17,739
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entity)	<b>2,240</b>	(6,399)

### (b) Unwinding cost for contingent forward transactions

During the year ended 31 December 2008, the Group had outstanding forward agreements to purchase or sell certain listed equity securities at fixed prices over 52-week periods from the dates of the agreements. Because of the global financial turmoil triggered by the sub-prime crisis, investment sentiment and the performance of the world financial and stock markets deteriorated drastically in the second half of 2008. In order to minimise losses and to reduce risk exposures associated with the outstanding forward agreements, a substantial portion of these agreements were unwound in October 2008. The aggregate costs in respect of the unwinding were HK\$485,068,000 and were recognised in the income statement for the year ended 31 December 2008.

# Notes to Financial Statements

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## 6. PROFIT/LOSS BEFORE TAX (continued)

### (c) Loss on disposal of available-for-sale financial investments

Listed equity securities had been acquired during the year ended 31 December 2008 for long-term holding purpose and were classified as available-for-sale financial investments in the financial statements. However, due to the unpredictable global financial conditions in the second half of 2008, the Group liquidated all its listed available-for-sale financial investments in order to contain its losses and minimise its risk exposure associated with its investment portfolio. The loss on disposal of available-for-sale financial investments was HK\$506,655,000 and was recognised in the income statement for the year ended 31 December 2008.

## 7. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance bonuses <i>HK\$'000</i>	Provident fund contributions <i>HK\$'000</i>	2009 Total <i>HK\$'000</i>
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,755	405	175	2,335
Ms. Wong Yuk Ching	—	1,040	160	104	1,304
Mr. Lam Chi Chung, Tommy	—	1,528	235	12	1,775
Ms. Chio Koc Ieng	—	1,040	240	—	1,280
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	480	5,363	1,040	291	7,174

# Notes to Financial Statements

31 December 2009

## 7. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS *(continued)*

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance bonuses <i>HK\$'000</i>	Provident fund contributions <i>HK\$'000</i>	2008 Total <i>HK\$'000</i>
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,731	—	173	1,904
Ms. Wong Yuk Ching	—	1,016	—	101	1,117
Mr. Lam Chi Chung, Tommy	—	1,507	—	12	1,519
Ms. Chio Koc leng	—	1,016	—	—	1,016
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	480	5,270	—	286	6,036

The five highest paid individuals during the year ended 31 December 2009 included four (2008: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2008: one) non-director highest paid individual are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Salaries and other benefits	884	866
Performance bonuses	170	—
Provident fund contributions	12	12
	1,066	878

# Notes to Financial Statements

31 December 2009

## 8. FINANCE COSTS

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest expense on		
— Bank and other borrowings wholly repayable within five years	<b>563</b>	1,360
— Amount due to a minority shareholder with no fixed repayment terms	<b>13</b>	72
— Amount due to immediate holding company with no fixed repayment terms	<b>295</b>	9,628
— Amount due to ultimate holding company with no fixed repayment terms	<b>3,858</b>	23,017
	<b>4,729</b>	34,077

## 9. INCOME TAX EXPENSES

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	<b>1,054</b>	1,771
— Overseas income tax	<b>2,118</b>	3,403
— Under provision in respect of prior years	<b>—</b>	1,011
	<b>3,172</b>	6,185
Deferred tax	<b>553</b>	(9,417)
	<b>3,725</b>	(3,232)

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

# Notes to Financial Statements

31 December 2009

## 9. INCOME TAX EXPENSES (continued)

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) before tax	<b>890,837</b>	(733,528)
Tax charges at the average income tax rate	<b>7,475</b>	(200,578)
Tax effect of share of results of jointly controlled entity	<b>(2,240)</b>	6,399
Tax effect of expenses not deductible in determining taxable profit	<b>366</b>	3,194
Tax effect of income not taxable in determining taxable profit	<b>(33)</b>	(4,173)
Utilisation of tax losses previously not recognised	<b>(5,461)</b>	—
Tax effect of tax losses not recognised	<b>13</b>	190,910
Under provision in respect of prior years	—	1,011
Change in tax rate	—	(182)
Others	<b>3,605</b>	187
Income tax expense for the year	<b>3,725</b>	(3,232)

The average income tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit/loss before tax and the relevant statutory rates.

## 10. PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2009 dealt with in the financial statements of the Company was HK\$872,792,000 (2008: loss of HK\$13,377,000).

# Notes to Financial Statements

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## 11. EARNINGS/LOSS PER SHARE

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Earnings/(loss)</b>		
Earnings/(loss) for the purposes of basic and diluted earnings/loss per share	<b>885,763</b>	(527,549)
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted earnings/loss per share	<b>4,438,967,838</b>	4,438,967,838

## 12. DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the year:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.008 per ordinary share (2008: HK\$0.007)	<b>35,512</b>	31,073
Final dividend proposed after the balance sheet date of HK\$0.015 per ordinary share (2008: HK\$0.012)	<b>66,584</b>	53,267
	<b>102,096</b>	84,340

The final dividend declared after the year end has not been recognised as a liability at 31 December.

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.012 per ordinary share (2008: HK\$0.012)	<b>53,267</b>	53,267

# Notes to Financial Statements

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## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 January 2008	32,790	8,019	1,666	706	43,181
Additions	—	—	1,174	—	1,174
Disposals	—	—	(92)	—	(92)
At 31 December 2008	32,790	8,019	2,748	706	44,263
At 1 January 2009	<b>32,790</b>	<b>8,019</b>	<b>2,748</b>	<b>706</b>	<b>44,263</b>
Additions	—	82	259	379	720
Disposals	—	—	—	(23)	(23)
At 31 December 2009	<b>32,790</b>	<b>8,101</b>	<b>3,007</b>	<b>1,062</b>	<b>44,960</b>
Accumulated depreciation:					
At 1 January 2008	2,404	2,821	945	333	6,503
Charge for the year	769	1,279	601	141	2,790
Disposals	—	—	(85)	—	(85)
At 31 December 2008	3,173	4,100	1,461	474	9,208
At 1 January 2009	<b>3,173</b>	<b>4,100</b>	<b>1,461</b>	<b>474</b>	<b>9,208</b>
Charge for the year	<b>769</b>	<b>1,245</b>	<b>841</b>	<b>195</b>	<b>3,050</b>
Disposals	—	—	—	(23)	(23)
At 31 December 2009	<b>3,942</b>	<b>5,345</b>	<b>2,302</b>	<b>646</b>	<b>12,235</b>
Carrying values:					
At 31 December 2009	<b>28,848</b>	<b>2,756</b>	<b>705</b>	<b>416</b>	<b>32,725</b>
At 31 December 2008	29,617	3,919	1,287	232	35,055

# Notes to Financial Statements

31 December 2009

## 14. PREPAID LEASE PAYMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Prepaid lease payments in medium-term leasehold land in Hong Kong		
— Included in current assets	2,820	2,820
— Included in non-current assets	102,937	105,757
	<b>105,757</b>	108,577

## 15. INVESTMENT PROPERTIES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Fair value:		
At 1 January	100,000	150,000
Change in fair value	(14,000)	(50,000)
At 31 December	<b>86,000</b>	100,000

All investment properties of the Group are property interests including leasehold interest in land, held under medium-term operating leases outside Hong Kong for the purposes of earning rentals or capital appreciation and are measured using the fair value model.

All properties held under operating lease that would otherwise meet the definition of investment property are classified as investment property.

The fair value of the Group's investment properties at 31 December 2009 have been arrived at on a market value basis calculated by reference to net rental income allowing for reversionary income potential carried out on that date by DTZ Debenham Tie Leung Limited. DTZ Debenham Tie Leung Limited is an independent qualified professional valuers not connected with the Group and has among its staff members of the Hong Kong Institute of Surveyors and has appropriate qualifications and experiences in the valuation of similar properties in the relevant locations.



# Notes to Financial Statements

31 December 2009

## 16. INTEREST IN JOINTLY CONTROLLED ENTITY

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Investment cost	12	12
Share of post acquisition profit	370,214	365,513
Share of net assets	<b>370,226</b>	365,525

Particulars of the jointly controlled entity at 31 December 2009 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activities
South Bay Centre Company Limited	Corporate	Macau	50%	Property investment and trading

The above investment in jointly controlled entity is indirectly held by the Company.

The followings are the financial information for the Group's jointly controlled entity:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Income	70,786	75,617
Expenses	<b>(61,384)</b>	(171,989)
Profit/(loss) for the year	<b>9,402</b>	(96,372)
Non-current assets	<b>1,241,113</b>	1,272,502
Current assets	<b>17,105</b>	23,621
Current liabilities	<b>(391,857)</b>	(432,823)
Non-current liabilities	<b>(125,909)</b>	(132,250)
Net assets	<b>740,452</b>	731,050

# Notes to Financial Statements

31 December 2009

## 17. INTERESTS IN PROPERTY DEVELOPMENT

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At 1 January	<b>11,852,391</b>	12,013,954
Change in fair value recognised in other comprehensive income	<b>(134,112)</b>	768,437
Settlements	<b>(1,601,399)</b>	(930,000)
At 31 December	<b>10,116,880</b>	11,852,391

Interests in property development represent the Group's interests in the development of various properties in Macau under two co-investment agreements with two wholly owned subsidiaries of the Ultimate Holding Company respectively. The basis and estimations for arriving at the fair value of the interests in property development is further described in note 35.

During the year, pursuant to one of the co-investment agreements, a distribution of HK\$1,601,399,000 (2008: HK\$930,000,000) was made by a wholly owned subsidiary of the Ultimate Holding Company in relation to the property project at Lote V, The Orient Pearl District, Novos Aterros da Areia Preta, Macau which were applied against the amount received from interests in property development. Income from interests in property development recognised in profit or loss from the distribution during the year amounted to HK\$872,639,000 (2008: HK\$506,760,000).

As at 31 December 2008, out of the interests in property development, an amount of HK\$1,601,329,000 was expected to be recoverable within one year and was classified as current asset.

## 18. GOODWILL

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. During the year ended 31 December 2009, management of the Group determines that there are no impairments of the CGU containing goodwill.

The recoverable amount of the CGU have been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

# Notes to Financial Statements

31 December 2009

## 19. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable within one year. The carrying amount approximates its fair value at the balance sheet date.

## 20. HELD FOR TRADING INVESTMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity securities held for trading listed in Hong Kong	<b>8,385</b>	28,688

The fair values of the above equity securities held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

- (a) The carrying value of the asset arising from derivative financial instrument as at 31 December 2009 represented the fair value of a deed of call option (the "Deed") entered into by the Group and an independent third party (the "Seller") on 7 December 2009. Pursuant to the Deed, the Group has an irrevocable option (the "Option") to acquire from the Seller (i) all of the issued share capital of a company principally engaged in the production of oil from hydrocarbon deposits in Kazakhstan (the "Targeted Company") and (ii) any and all of the outstanding debt owed by the Targeted Company to the Seller as at the date of the Deed and such other amount that may be extended or granted by the Seller to the Targeted Company subsequent to the date of the Deed at a total consideration of US\$139,600,000. The Option may be exercised at the discretion of the Group at any time within four months from the date of the Deed.
- (b) The carrying value of the liability arising from derivative financial instruments as at 31 December 2008 represented the fair value of the Group's outstanding forward agreement to purchase certain listed equity securities at a fixed price over a 52-week period from the date of the agreement. The listed equity securities were shares listed in Hong Kong. According to the agreement, the purchase commitments of the Group would be terminated when the market price of the equity securities rises to a predetermined price level and, as at 31 December 2008, the aggregated maximum purchase commitments of the Group under the agreement were HK\$105,836,000.

As at 31 December 2009, the Group has no outstanding forward agreement to purchase or sell any listed equity securities.

# Notes to Financial Statements

31 December 2009

## 22. INVENTORIES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Properties held for sale	<b>34,116</b>	37,016
Properties under development for sale (Note)	<b>491,637</b>	424,136
	<b>525,753</b>	461,152

Note: The Group has entered into a joint venture agreement in the form of a jointly controlled asset to construct certain low-rise houses in Hong Kong. At 31 December 2009, the aggregate amount of assets recognised in the financial statements in relation to interests in jointly controlled assets is HK\$22,189,000 (2008: HK\$17,763,000).

## 23. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Ageing analysis of trade receivables:		
Within 30 days	<b>1,187</b>	2,174
31 days to 60 days past due	<b>1,756</b>	820
61 days to 90 days past due	<b>1,101</b>	505
Over 90 days past due	<b>479</b>	426
Amounts past due	<b>3,336</b>	1,751
Trade receivables	<b>4,523</b>	3,925
Other receivables	<b>31,509</b>	28,309
	<b>36,032</b>	32,234

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

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

The fair value of the Group's trade and other receivables at the balance sheet date was approximate to the corresponding carrying amount.

# Notes to Financial Statements

31 December 2009

## 24. CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents approximates their fair value at the balance sheet date.

## 25. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Ageing analysis of trade payables:		
Within 30 days	—	12,249
31 days to 60 days	—	1,527
61 days to 90 days	—	1,940
Over 90 days	<b>31,825</b>	9,420
Trade payables	<b>31,825</b>	25,136
Deposits received from sale of properties	<b>532,196</b>	486,695
Other payables	<b>43,484</b>	29,138
	<b>607,505</b>	540,969

Included in the Group's trade and other payables, an amount of HK\$15,864,000 (2008: HK\$7,958,000) is expected to be settled after more than one year. The fair value of the Group's trade and other payables at the balance sheet date was approximate to the corresponding carrying amount.

## 26. BANK LOANS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Repayable within one year	—	36,700
Repayable within three years	<b>60,000</b>	—
	<b>60,000</b>	36,700

The secured bank loan as at 31 December 2009 could, as the discretion of the Group, be rollover for 3 years from the effective date of the banking facility. The loan was bearing interest as determined by a premium over the Hong Kong Interbank Offering Rates (the "HIBOR"), which is equal to the effective interest rate.

The secured bank loans as at 31 December 2008 were repayable within 5 years from the date of the inception of the loans by monthly instalments and bearing interest as determined by a premium over the HIBOR, which is equal to the effective interest rate.

The fair value of the Group's bank loans at the balance sheet date was approximate to the corresponding carrying amount.

# Notes to Financial Statements

31 December 2009

## 27. DEFERRED TAXATION

The following are the components of deferred tax liabilities recognised and movements thereon during the current year and the prior year:

	Accelerated depreciation allowances <i>HK\$'000</i>	Revaluation of assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2009	2,588	35,607	38,195
(Credit)/charge to income statement	(384)	937	553
At 31 December 2009	<b>2,204</b>	<b>36,544</b>	<b>38,748</b>
At 1 January 2008	3,181	44,431	47,612
Change in tax rate	(182)	—	(182)
Credit to income statement	(411)	(8,824)	(9,235)
At 31 December 2008	2,588	35,607	38,195

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK\$1,133,799,000 (2008: HK\$1,166,909,000) available for offset against future profits which may be carried forward indefinitely.

## 28. SHARE CAPITAL

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
5,000,000,000 convertible preference shares of HK\$0.01 each	50,000	50,000
	<b>1,050,000</b>	1,050,000
<i>Issued:</i>		
4,438,967,838 fully paid ordinary shares of HK\$0.1 each	<b>443,897</b>	443,897

### (a) Share premium

The application of the share premium account is governed by Section 34 of the Cayman Islands Companies Law.

## 28. SHARE CAPITAL *(continued)*

### (b) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, borrowings from holding companies, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's borrowings (bank borrowings plus amounts due to immediate holding company and ultimate holding company) over equity attributable to equity holders of the Company. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2009 is 9.1% (2008: 9.6%).

## 29. SHARE OPTIONS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Pursuant to the share option scheme adopted by the Company on 9 January 2004, eligible participants include any employees (including full-time and part-time employee), directors (including executive, non-executive and independent non-executive director), suppliers of goods and services, customers, business partners or business associates of the Group, consultant or adviser providing consultancy or advisory services in relation to the businesses, trading agents or holders of any securities issued by any member of the Group or any entity in which the Group holds an equity interest. The share option scheme became effective on 9 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the share option scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the share option scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

## 29. SHARE OPTIONS *(continued)*

The offer of a grant of share options under the share option scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the share option scheme.

The exercise price of the share options granted under the share option scheme is determinable by the directors, but may not be less than the highest of (i) closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There was no share option granted under the share option scheme during the current and prior years or remain outstanding as at 31 December 2009.

## 30. NOTE TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Loans from minority shareholders of a subsidiary are classified as equity being the capital contribution on such subsidiary by those minority shareholders.

## 31. MAJOR NON-CASH TRANSACTIONS

During the year, non-refundable distributions from interests in property development of totalling HK\$1,601,399,000 (2008: HK\$930,000,000) were obtained by offsetting the amount received from interests in property development and accordingly, income from interests in property development of HK\$872,639,000 (2008: HK\$506,760,000) was transferred from the fair value reserve to the profit or loss during the year.

During the year ended 31 December 2008, amounts received from interests in property development of totalling HK\$699,216,000 were obtained by offsetting the amount due to ultimate holding company of HK\$75,216,000 and amount due to immediate holding company of HK\$624,000,000 and a further settlement of HK\$165,090,000 for the amount due to ultimate holding company was made by applying the loans from minority shareholders directly.



# Notes to Financial Statements

31 December 2009

## 32. OPERATING LEASE ARRANGEMENTS

### As Lessee

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years.

As at 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	<b>333</b>	799
In the second to fifth years inclusive	—	333
	<b>333</b>	1,132

### As Lessor

The Group leases certain of its inventories and investment properties under operating lease arrangements with lease terms for less than six years. As at 31 December 2009, total future minimum lease receivables under non-cancellable operating leases are as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	<b>5,794</b>	6,087
In the second to fifth years inclusive	<b>9,768</b>	10,519
Over five years	—	1,788
	<b>15,562</b>	18,394

## 33. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2008 and 2009, the Group had the following transactions with related parties:

- (a) During the year ended 31 December 2006, the Group has acquired from the Ultimate Holding Company the entire interests in New Bedford Properties Limited in turn to acquire 80% interest in three property projects located at Lotes P, V and T & T1, The Orient Pearl District, Novos Aterros da Areia Preta, Macau for a consideration of HK\$8,448,000,000. Pursuant to the relevant sale and purchase agreement (the "Agreement"), a deposit of HK\$200,000,000 was paid by the Group upon the signing of the Agreement and the Group might, at the Group's discretion, settle the outstanding balance (i) at completion of the Agreement (the "Completion") or (ii) within one year from the Completion. The Group has the right to extend the time for the settlement of the outstanding balance to within three years from the Completion. In case where the Company is unable to raise sufficient funds to finance the acquisition within three years from the Completion, the Group has the right to further extend the settlement of the outstanding balance for an unlimited period until such time the liquidity position of the Company permits the settlement. The Group has exercised all its right to extend the settlement of this outstanding balance.

As at 31 December 2009, outstanding balance due to the Ultimate Holding Company for the acquisition, which was unsecured and bearing interest at a premium over the HIBOR, together with accrued interest was HK\$566,374,000 (2008: HK\$686,497,000). During the year, interest of HK\$3,858,000 (2008: HK\$23,017,000) was payable to the Ultimate Holding Company.

- (b) Amount received from interests in property development, which is unsecured, interest free and with no fixed repayment terms, represents the advances received from a subsidiary of the Ultimate Holding Company in respect of the Group's interests in the property development in Macau as mentioned in note 17.
- (c) During the year, interest of HK\$13,000 (2008: HK\$72,000) was payable to a minority shareholder of a subsidiary. As at 31 December 2008, the amount due to such minority shareholder was unsecured and with no fixed repayment terms and bearing interest at a premium over the HIBOR.
- (d) During the year, the Group paid rental expenses and building management fees amounting to HK\$946,000 (2008: HK\$910,000) in aggregate to an intermediate holding company of the Company for the leasing of an administrative office in Hong Kong.
- (e) During the year, management fees totalling HK\$2,890,000 (2008: HK\$4,500,000) were payable to an intermediate holding company of the Company for the administrative expenses shared by the Group.
- (f) The amount due to immediate holding company was unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. During the year, interest of HK\$295,000 (2008: HK\$9,628,000) was payable to the Immediate Holding Company.
- (g) As at 31 December 2009, certain assets of a jointly controlled entity were pledged to a bank to secure banking facilities granted to the Group to the extent of HK\$195,000,000 (2008: Nil).

# Notes to Financial Statements

31 December 2009

## 34. PLEDGE OF ASSETS

As at 31 December 2009, none of assets of the Group was pledged to secure any credit facilities. As at 31 December 2008, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charge over all of the Group's medium term leasehold land with an aggregate net book value of HK\$108,577,000;
- (b) legal charge over all of the Group's buildings with an aggregate net book value of HK\$29,617,000;
- (c) floating charge over all short term investments of the Group of HK\$28,688,000;
- (d) floating charge over certain receivables of the Group of HK\$4,496,000;
- (e) floating charge over all of the Group's margin deposits of HK\$17,847,000; and
- (f) floating charge over certain cash and cash equivalents of the Group of HK\$799,000.

## 35. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### **Depreciation and amortisation**

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful life of 2 to 10 years, and after taking into account of their estimated residual value, using the straight-line method, commencing from the date the plant and equipment is placed into intended use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the management's estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

### **Estimation of fair value of investment properties**

Investment properties are stated at market value at the balance sheet date, which is assessed annually by independent qualified valuers, after taking into consideration the net income for reversionary potential. The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

## 35. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### **Estimation of provision for properties under development for sale and held for sale**

Management determines the net realisable value of properties under development for sale and held for sale by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of net realisable value of properties under development for sale and held for sales requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, rate of new property sales, marketing costs and the expected costs to completion of properties and legal and regulatory framework and general market conditions.

### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the recoverable amount calculation are disclosed in note 18.

### **Interests in property development**

Interests in property development are stated at their fair value at the balance sheet date. In determining the fair value of interests in property development, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate in order to calculate the present value. Cash flow projections for the interests in property development are based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for the market development and terms provided under the co-investment agreements.

### **Estimation of fair value of over-the-counter contingent forward transactions**

Over-the-counter contingent forward transactions are classified as derivative financial instruments and are stated at fair value at the balance sheet date. The fair value of outstanding over-the-counter contingent forward transactions is calculated based on the price quotations obtained from financial institutions.

The assumptions adopted in fair value of over-the-counter contingent forward transactions are based on the pricing model using the market closing prices of the underlying stocks and/or index, the volatilities, correlations and interest rates at the balance sheet date.

## 36. FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate, credit, liquidity and price risks arisen in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by financial policies and practices undertaken by the Group.

### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and borrowings from holding companies. All the borrowings are on a floating rate basis. The risk is mainly concentrated on the fluctuation in Hong Kong dollar interest rates arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate risk is managed by the Group's senior management with defined policies through regular review to determine the strategy as of funding in floating/fixed rate mix appropriate to its current business profile, and to engage in relevant hedging arrangements in appropriate time.

If interest rates had been increased/decreased by 100 basis points, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would decrease/increase by HK\$9,182,000 (2008: HK\$9,803,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rate is used when reporting interest rate risk. The analysis is performed on the same basis for 2008.

### Credit risk

The Group's maximum exposure to credit risk in the event of the counter-parties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's credit risk is significantly reduced.

Cash at bank, deposits placed with financial institutions, and investments and transactions involving derivative financial instruments are with counterparties with sound credit ratings to minimise credit exposure.

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

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31 December 2009

## 36. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

Cash management of the Group are centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows				Total HK\$'000	Balance sheet carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Undated HK\$'000		
At 31 December 2009						
Trade and other payables	59,445	15,864	—	—	75,309	75,309
Bank loan	—	—	61,829	—	61,829	60,000
Amount due to immediate holding company	—	—	—	291,807	291,807	291,807
Amount due to ultimate holding company	—	—	—	566,374	566,374	566,374
	<b>59,445</b>	<b>15,864</b>	<b>61,829</b>	<b>858,181</b>	<b>995,319</b>	<b>993,490</b>
At 31 December 2008						
Trade and other payables	46,316	7,958	—	—	54,274	54,274
Derivative financial instruments	19,903	—	—	—	19,903	19,903
Bank loans	36,700	—	—	—	36,700	36,700
Amount due to minority shareholder	1,622	—	—	—	1,622	1,622
Amount due to immediate holding company	—	—	—	263,185	263,185	263,185
Amount due to ultimate holding company	—	—	—	686,497	686,497	686,497
Amount received from interests in property development	—	—	—	1,613,516	1,613,516	1,613,516
	<b>104,541</b>	<b>7,958</b>	<b>—</b>	<b>2,563,198</b>	<b>2,675,697</b>	<b>2,675,697</b>

# Notes to Financial Statements

31 December 2009

## 36. FINANCIAL RISK MANAGEMENT (continued)

### Price risks

At the balance sheet date, the Group has the following financial instruments measured at fair value across the three levels of fair value hierarchy based on the degree to which fair value is observable:

	2009 HK\$'000
Assets	
Level 1 (Notes)	
— Held for trading investments	8,385
Level 3 (Notes)	
— Derivative financial instrument	7,800
— Interests in property development	<u>10,116,880</u>

#### Notes:

Level 1: Assets/liabilities carrying at fair values measured using unadjusted quoted prices in active markets for identical financial instruments

Level 2: Assets/liabilities carrying at fair values using quoted prices in active markets for similar financial instruments or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: Assets/liabilities carrying at fair values measured using valuation techniques in which any significant input is not based on observable market data

#### Equity price risk

The Group is exposed to equity security price risk through its held-for-trading investments and derivative financial instruments. Appropriate measures are implemented under risk management policies on a timely and effective manner. These measures covered macroeconomic analysis, securities analysis, trade execution control and portfolio evaluation. The Group controls this exposure by maintaining a diversified investment portfolio of securities with high market liquidity and different risk profiles.

At 31 December 2009, it is estimated that an increase/decrease of 5% in market value of the Group's held-for-trading investments, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would increase/decrease by HK\$419,000 (2008: HK\$1,434,000).

The sensitivity analysis above has been determined assuming that the changes in the equity price had occurred at the balance sheet date and had been applied to the exposure to equity security price risk in existence at that date. It is also assumed that the fair values of the Group's held-for-trading investments and derivative financial instruments would change in accordance with the historical correlation with the relevant equity price and that all other variable remain constant. The analysis is performed on the same basis for 2008.

# Notes to Financial Statements

31 December 2009

## 36. FINANCIAL RISK MANAGEMENT (continued)

### Price risks (continued)

#### Other price risk

The Group is also exposed to property price risk through its interests in property development classified as non-current assets. The Group assesses their fair value at least bi-annually through reviewing the prevailing market conditions and monitoring the progress of the property development. At 31 December 2009, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, the Group's fair value reserve would increase/decrease by HK\$644,679,000/HK\$644,677,000 (2008: HK\$736,140,000/HK\$736,144,000). The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the balance sheet date and had been applied to the exposure to property price risk in existence at that date. The analysis is performed on the same basis for 2008.

## 37. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2009 are as follow:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Directly held:</i>				
City Power Services Limited	British Virgin Islands	US\$1	100%	Inactive
Newcott Limited	British Virgin Islands	US\$10,000	100%	Inactive
Noble Prime International Limited	British Virgin Islands	US\$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US\$1	100%	Investment holding
Power Mighty Limited	British Virgin Islands	US\$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US\$1	100%	Investment holding



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31 December 2009

## 37. PARTICULARS OF SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held:</i>				
Acestart Investments Limited	British Virgin Islands/Macau	US\$1	70.5%	Property trading and investment
Century Leader Profits Limited	British Virgin Islands	US\$100	91%	Inactive
Coöperatieve Power Mighty U.A.	Netherlands	—	100%	Investment holding
Eastford Development Limited	Hong Kong	HK\$100	100%	Property development and investment
Equal Talent Limited	British Virgin Islands	US\$1	100%	Inactive
Genius Star Investments Limited	British Virgin Islands/Macau	US\$1	100%	Financial investment
Glentech International Company Limited	Hong Kong	HK\$2	100%	Property investment and development and provision of consultancy services
Hin Rich International Limited	British Virgin Islands	US\$1	58%	Inactive
Imperial Profit Investment Limited	British Virgin Islands	US\$1	100%	Inactive
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development
Marvel Talent Corporation	British Virgin Islands	US\$200	70.5%	Inactive

# Notes to Financial Statements

31 December 2009

## 37. PARTICULARS OF SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (continued)</i>				
Melosa Limited	British Virgin Islands	US\$1	100%	Inactive
Mission Geronimo Enterprises Limited	British Virgin Islands/Macau	US\$1	58%	Provision of consultancy services
New Bedford Properties Limited	British Virgin Islands	US\$1	100%	Investment holding
New Cosmos Holdings Limited	British Virgin Islands	US\$100	58%	Investment holding
Newest Luck Enterprises Limited	British Virgin Islands/Macau	US\$1	58%	Provision of consultancy services
Noble Gainer Limited	Hong Kong	HK\$2	100%	Inactive
Power Giant Limited	British Virgin Islands/Macau	US\$1	100%	Property trading and investment
Power Mighty A N.V.	Netherlands Antilles	US\$6,000	100%	Investment holding
Power Mighty B N.V.	Netherlands Antilles	US\$6,000	100%	Investment holding
Power Mighty B.V.	Netherlands	Euro18,000	100%	Investment holding
Profit Sphere International Limited	British Virgin Islands	US\$1	100%	Investment holding
Richstone International Limited	Hong Kong	HK\$1	100%	Property development and investment

# Notes to Financial Statements

31 December 2009

## 37. PARTICULARS OF SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (continued)</i>				
Sheen Concord Enterprises Limited	Hong Kong	HK\$2	100%	Inactive
Success Ever Limited	British Virgin Islands	US\$1	100%	Investment holding
Sunpark International Limited	British Virgin Islands/Macau	US\$10	58%	General trading
The Hong Kong Ice & Cold Storage Company Limited	Hong Kong	HK\$500,000	100%	Ice manufacturing and provision of cold storage
Think Bright Limited	British Virgin Islands/Macau	US\$200	70.5%	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US\$1	100%	Investment holding
Wide Universe International Limited	British Virgin Islands	US\$1	100%	Inactive

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

# Particulars of Properties

31 December 2009

Property	Purpose	Gross floor area/ site area	Group interest (%)	Stage of completion	Expected completion date
<i>Properties held for development for sale of the Group:</i>					
Pacifica Garden, Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau	Residential/ Commercial	35,900.00 square metres/ 5,207.70 square metres	58	Superstructure completed	2010
Lots no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong	Residential	1,122.26 square metres	100	Completed	2010
Lots nos. 3753G, 3753H, 3753J, 3753K, 3753L, 3753M, 3753N, 3779C, 3779D, 3780B, 3781A, 3781B, 3781C, 3782A, and 3782RP in Demarcation District No. 124, Tuen Mun, New Territories Hong Kong	Residential	2,870.70 square metres/ 1,770.00 square metres	60	Superstructure completed	2010
Lotes P and T & T1 at The Orient Pearl District Novos Aterros da Areia Preta, Macau*	Residential/ Commercial	886,477.00 square metres/ 85,970.00 square metres	80	Construction not yet commenced	From 2012 to 2014

\* *The development of these properties is under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company of the Company.*

# Particulars of Properties

31 December 2009

Property	Purpose	Gross floor area	Group interest (%)	Stage of completion	Category of lease
<i>Properties held for sale of the Group:</i>					
61 shop units, 1 office unit and 79 carparking spaces of China Plaza at Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau	Commercial	4,116.78 square metres and 79 carparking spaces	70.5	Completed	N/A
<i>Investment properties of the Group:</i>					
38 shop units and 14 carparking spaces of Va long at Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259, Macau	Commercial	1,887.31 square metres and 14 carparking spaces	100	N/A	Medium term lease
<i>Investment properties of the jointly controlled entity:</i>					
208 shop units, 208 office units and 265 carparking spaces of The Macau Square at Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113, Macau	Commercial	36,553.05 square metres and 265 carparking spaces	50	N/A	Medium term lease