YUGANG

YUGANG INTERNATIONAL LIMITED

Stock Code: 613

Annual Report

2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Yuen Wing Shing *(Managing Director)*
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Wong Yat Fai

Independent Non-Executive Directors

Mr. Luk Yu King, James
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

COMMITTEES

Audit Committee

Mr. Luk Yu King, James
Mr. Lee Ka Sze, Carmelo
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

Remuneration Committee

Mr. Cheung Chung Kiu
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

AUTHORISED REPRESENTATIVES

Mr. Cheung Chung Kiu
Mr. Yuen Wing Shing

COMPANY SECRETARY

Albert T.da Rosa, Jr.

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

SOLICITORS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Woo Kwan Lee & Lo
Cheung, Tong & Rosa

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

WEBSITE ADDRESS

http://www.yugang.com.hk

STOCK CODE

613

Chairman's Statement and Management Discussion and Analysis

On behalf of the board (the "Board") of directors (the "Directors") of Yugang International Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

RESULTS

The audited consolidated net profit attributable to shareholders for the year ended 31 December 2009 was HK$168.7 million as compared with net loss of HK$723.7 million in the last corresponding year. The basic earnings per share for the year was HK1.81 cents and basic loss per share of HK7.78 cents was recorded in the last corresponding year.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.002 per share for the year ended 31 December 2009 (2008: Nil) to holders of ordinary shares whose names appear on the register of members of the Company on 24 May 2010. No interim dividend was declared for the financial year of 2009 and 2008. Subject to shareholders' approval at the forthcoming annual general meeting, the proposed final dividend will be paid to shareholders on or about 8 June 2010.

CLOSURE OF REGISTER OF MEMBERS

An annual general meeting of the Company will be held on 24 May 2010. The register of members of the Company will be closed from 19 May 2010 to 24 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 18 May 2010.

BUSINESS REVIEW

2009 was a challenging year with difficult and volatile conditions in the global economy. After a series of stimulus measures implemented by the government of various countries, the global economies have been stabilized and gradually a sign of recovery was observed in the second half of 2009. Local stock and property market rebounded significantly during the year. The economy of China was, particularly, more stable and optimistic than many other regions of the world. The Central Government of the PRC reported better-than-expected economic growth in Mainland China with a GDP growth of 8.7% for the year.

2009 was also a key transitional point in the economic development of Mainland China as the Central Government has made strenuous effort to monitor the economic situation of Mainland China and roll out measures to balance the economy with both consumption-led and export-led growth. The Central Government has also demonstrated tremendous depth and understanding of the global financial turmoil in mounting well thought out measures to correct specific economic imbalances.

The transformation towards a more balanced growth structure will help the Chinese economy to ride out difficult times brought by the global financial turmoil. In addition, the steps taken by the Central Government to rebalance the structure of the economy have established a more resilient system to withstand external shocks and the policies issued to encourage domestic consumption will enable a balanced economic growth.

Hong Kong, being one of China's window cities closely correlated with the Mainland's economic development, was benefited consequently. The core business segments of the Group were therefore benefited to record a satisfactory growth in the financial year of 2009.

Chairman's Statement and Management Discussion and Analysis

Property Investment and Infrastructure Business

Property Investment Business

The property investment business of the Group is principally carried out through Y. T. Realty Group Limited ("Y.T. Realty"), an associate of the Group whose shares are traded on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The principal properties held by Y. T. Realty include the whole block of Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively.

Y. T. Realty has successfully maintained a good record of stable growth in its rental income since 2005. Given that the management of Y.T. Realty has adopted a proactive strategy to transform the tenant base from office usage to commercial and retail usage since 2005, it helped to generate a stable stream of rental income even during the financial turmoil.

The management of Y. T. Realty has further implemented a building improvement program since 2008 and thereby successfully attracted a number of quality tenants. Therefore, there was an overall increase in rental rates and ongoing improvement in the occupancy rate of the investment properties for the year. The gross rental income continued to record a growth of 9% to HK$124.3 million for the year ended 31 December 2009.

Y. T. Realty recorded a net profit after tax of HK$424.8 million for the year, representing an increase of HK$254.0 million or 149% from the last corresponding year. It was mainly attributable to a significant increase in the profit contribution from an associated company and the fair value gain in the revaluation of investment properties.

Infrastructure Business

The infrastructure business of the Group is carried out by The Cross-Harbour Holdings Limited ("Cross-Harbour"), whose shares are traded on the main board of the Stock Exchange. Currently, Cross-Harbour holds substantial interests in Western Harbour Tunnel and Tate's Cairn Tunnel and thereby generates a stable stream of toll revenue to Cross-Harbour.

Following the gradual economic recovery of Hong Kong during the second half of 2009, consumer spending and confidence rebounded significantly. The average daily throughput of Western Harbour Tunnel in the fourth quarter of 2009 recorded a satisfactory growth from the last corresponding period.

The net profit after tax and minority interests of Cross-Harbour for the year was HK$291.3 million, representing an increase of 108% from the last corresponding year. It was attributable to an improvement in toll revenue of tunnels and better performance of treasury investment for the year.

Treasury Investment

The Group's treasury investment recorded a net profit of HK$41.5 million for the year (2008: net loss of HK$714.3 million). After the outbreak of financial turmoil in 2008, the Group has adopted a prudent approach in managing its treasury investment business. With the strong rebound of the local stock market in 2009, the Group's treasury investment recorded the revenue and gains in aggregate of HK$120.8 million and net profit of HK$41.5 million for the year.

Chairman's Statement and Management Discussion and Analysis

PROSPECT

The Group is cautiously optimistic about the economic outlook of the PRC and Hong Kong.

The governmental rescue measures including expansionary fiscal stimulus and increase of money supply by most central banks throughout the world were met with varying degrees of success. Notwithstanding the gradual subsidence of the financial turmoil and the regaining stability of the global financial markets, certain risks remain in the year ahead because the global economic recovery was uneven and the potential withdrawal of government stimuli might bring about market adjustment and consolidation in short term. Therefore, there will be continuous volatility in the future performance of some business segments, particularly the treasury investment business of the Group.

The building improvement program executed by Y.T. Realty was successful in 2009. The management of Y.T. Realty will continue to implement extra efforts and measures such as boosting marketing endeavors to expand client base and enhancing services to tenants to reinforce loyalty with a view to ensuring stable stream of revenue and delivering satisfactory results to shareholders.

The management believes the economic growth of China will continue despite some economic adjustments in the short-term. Therefore, the Group has well positioned to benefit from an improving economy and to capitalize on new opportunities for growth.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$105.0 million during the year under review as compared with negative revenue of HK$219.2 million in the last financial year. It was mainly attributable to the net gain arising from the disposal of listed equity investments of HK$64.4 million for the year whereas a loss on disposal of listed equity investments of HK$232.1 million was recorded for the last corresponding year.

Comprehensive Income

Taking into effect of HKAS 1 (Revised) from 1 January 2009, the statement of comprehensive income was introduced which included the fair value change of an available-for-sale investment. The total comprehensive income for the year ended 31 December 2009 was HK$594.4 million which included a fair value gain of HK$422.0 million on available-for-sale investment.

Net Asset Value

The consolidated net asset value of the Group as at 31 December 2009 was HK$2,538.5 million, representing an increase of HK$594.4 million or 31%. It was mainly attributable to an increase in fair value of HK$422.0 million in an available-for-sale investment.

As at 31 December 2009, the consolidated net asset value per share of the Group was HK$0.273. The Group's total assets and total liability were HK$2,651.9 million and HK$113.4 million respectively.

Capital Structure

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation and bank borrowings.

The Group adopts conservative treasury policies in cash and financial management. The Group's treasury activities are centralized in order to minimize the cost of funds. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars and Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Chairman's Statement and Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2009, cash and cash equivalents of the Group was HK$131.8 million, and cash and listed securities investment of the Group in aggregate were HK$440.8 million. The Group maintained high level of liquidity as measured by the current ratio of 4.1 and net current assets of HK$350.8 million.

As at 31 December 2009, the Group had short term bank borrowings of HK$60 million, which had been fully repaid subsequent to the financial year-end date.

In addition, the Group had available and unutilized short-term banking facilities of approximately HK$202 million as at 31 December 2009.

Gearing Ratio

Gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was negative as cash and cash equivalents of the Group could cover the total debt. Net debt includes interest-bearing bank borrowings and other payables, net of cash and cash equivalents.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2009.

Exchange Risk

The Group's major sources of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and US dollars.

The Group had certain securities investment denominated in foreign currencies which represented only 3.3% of the Group's net asset value. The Group's exposure to foreign exchange risk is therefore minimal.

Charge on Group Assets

As at 31 December 2009, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$61.6 million and time deposits of approximately HK$9.3 million as securities for general banking facilities granted to the Group.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The Group currently holds two significant investments for long term.

The Group held substantial equity interest in Y.T. Realty with carrying value of HK$1,162.7 million as at 31 December 2009. The net profit after tax of Y.T. Realty for the year was HK$424.8 million and the Group's share of profit of Y.T. Realty for the year was HK$145.0 million.

The Group held an equity interest in C C Land Holdings Limited ("C C Land"), the shares of which are listed on the main board of the Stock Exchange. As at 31 December 2009, the carrying value of C C Land was stated at fair value of HK$917.8 million (2008: HK$495.8 million), representing an increase of HK$422.0 million for the year. This amount of fair value gain was reported as other comprehensive income in the consolidated statement of comprehensive income and taken to an investment revaluation reserve account of the Group. The Group received dividend income of HK$5.1 million from C C Land for the year.

Chairman's Statement and Management Discussion and Analysis

Save as disclosed above, there were no significant investment held, or material acquisitions and disposals of subsidiaries during the year. There was no plan for material investments or capital assets as at the date of this annual report.

Comment on Segment Information

Recent changes and development of the Group's segments were discussed in the Business Review of the Management Discussion and Analysis. Details of segment information and results can be found in note 4 of the Notes to Financial Statements in this annual report.

Save as disclosed herein, there were no significant changes in the market conditions, new products or services introduced that had significantly affected the Group's performance.

OPERATIONAL REVIEW

Human Resources Practices

The Group employed a total of 43 staffs as at 31 December 2009.

The Group's remuneration policy is to ensure fair and competitive package based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, GDP growth and inflation rates. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will also be considered.

The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2009.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all the employees for their diligence and contribution to the Group throughout the year.

Cheung Chung Kiu
Chairman

Hong Kong, 26 March 2010

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to an ongoing enhancement of effective and efficient corporate governance practices. The Board recognizes that good corporate governance practices are essential in bringing up the success of the Company and balancing the interests of shareholders, investors and employees.

Throughout the accounting period covered by the annual report, the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. The Company uses various communication channels to promptly inform Directors on any updates on the Model Code released by the Stock Exchange, and reminds Directors to adhere to the Model Code.

Following specific enquiry by the Company, each Director confirmed that throughout the accounting period covered by the annual report, they had complied with the required standard set out in the Model Code.

The Company has also adopted the code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standards set out in the Model Code.

THE BOARD

A. Chairman and Chief Executive Officer ("CEO")

Mr. Cheung Chung Kiu was elected the Chairman of the Board in 1993. The Chairman is accountable for sketching of business development plans, strategies, objectives and policies for the Company. In addition, the Chairman is responsible for ensuring Directors are properly briefed on issues arising at board meetings and that the Directors receive adequate information in a timely manner. Mr. Yuen Wing Shing was elected the Managing Director of the Company who takes the role of the CEO as described in Appendix 14 to the Listing Rules. The primary role of the CEO is to provide leadership for the implementation of the Company's objectives, policies and strategies, responsible for the day-to-day management of the Company, setting up budgets, monitoring performance of the management and effectiveness of the Company, and establishing and maintaining proper internal control system of the Group.

Corporate Governance Report

B. Board Composition

The Board currently comprises ten Directors, of whom five are executive Directors, two are non-executive Directors, and three are independent non-executive Directors. The Board members are:

Executive Directors
Mr. Cheung Chung Kiu (Chairman)
Mr. Yuen Wing Shing (Managing Director)
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-executive Directors
Mr. Lee Ka Sze, Carmelo
Mr. Wong Yat Fai

Independent Non-executive Directors
Mr. Luk Yu King, James
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

Mr. Zhang Qing Xin is the father of Mr. Cheung Chung Kiu, the Chairman of the Company. The biographical details of each Director including relationship with members of the Board, senior management and substantial shareholders are set out in the section headed "Profiles of Directors and Senior Management" on pages 24 to 25 of the annual report. All Directors are experienced personnel with academic and professional qualifications in accounting, legal and business management and at least one of whom has appropriate professional qualification of accounting or related financial management expertise. Such balanced composition of executive and non-executive Directors provides an adequate check and balance to safeguarding the interest of shareholders and the Company as a whole.

C. Independent Non-executive Directors

In accordance with Rule 3.10 of the Listing Rules, Mr. Luk Yu King, James, Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven were appointed as independent non-executive Directors, at least one of whom has appropriate professional accounting qualification.

The Company has obtained written confirmation of independence from all independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have met the standard set out in the guidelines under the Listing Rules and in particular, they are all independent within the meaning in the said guidelines.

Corporate Governance Report

D. Board Meetings

The Board members meet regularly to review and discuss the overall strategy, operational and financial performance of the Company. Normally four regular meetings of full Board will be held at quarterly intervals and special ad hoc board meetings will be convened when necessary to deal with everyday matters which require the Board's prompt decision, and are usually attended to by the executive Directors only. During the year of 2009, the Board held four regular Board meetings and the attendance records of individual Directors are set out as follows:

	Attended/Held	Percentage
Executive Directors		
Mr. Cheung Chung Kiu	4/4	100%
Mr. Yuen Wing Shing	4/4	100%
Mr. Zhang Qing Xin	3/4	75%
Mr. Lam Hiu Lo	4/4	100%
Mr. Liang Kang	4/4	100%
Non-executive Directors		
Mr. Lee Ka Sze, Carmelo	4/4	100%
Mr. Wong Yat Fai	4/4	100%
Independent Non-executive Directors		
Mr. Luk Yu King, James	4/4	100%
Mr. Ng Kwok Fu	4/4	100%
Mr. Leung Yu Ming, Steven	4/4	100%

E. Supply of and Access to Information

The Board works effectively and Directors are provided with appropriate and adequate information in a timely manner which enables them to make an informed decision and to discharge their duties and responsibilities as Directors to the Company. All Directors have access to the advices and services of the company secretary to ensure necessary board procedures and all applicable rules and regulations are followed. Notices of at least 14 days have been given to all Directors for all regular board meetings. Agendas and other relevant board papers have been provided to the Directors not less than three days before the board meeting and the Directors can include matters for discussion in the agenda if necessary. Draft and final versions of board minutes were sent to all Directors for comment and record. Board minutes have been recorded in sufficient detail and are kept by the company secretarial department ready for inspection at any reasonable time upon reasonable notice by Directors.

All Directors are regularly updated on governance and regulatory matters. Directors, upon reasonable request, have access to independent professional advice in appropriate circumstances at the Company's expenses.

Corporate Governance Report

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

All non-executive Directors were appointed for a specific term of not more than three years expiring at the conclusion of the annual general meeting of the Company to be held in the third year following the year of appointment . Pursuant to the bye-laws of the Company ("Bye-laws"), each Director, including those appointed for a specific term, is required to retire by rotation once every three years and that one-third of Directors for the time being (or, if the number is not a multiple of three, the nearest to but not less than one-third) shall retire from office by rotation. Retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

Although the Company does not set up a nomination committee, the role and function of such committee have been undertaken by the Board. The Company adopts formal, considered and transparent procedures for the appointment of new Directors. The Board is collectively responsible for nominating and appointing new Directors either to fill casual vacancies or as an addition to the Board, subject to re-election by the shareholders at the first general meeting after their appointment. All Directors submitted for election or re-election have been accompanied by relevant biographical details (including other directorships held in listed public companies in the last three years and other major appointments) to enable shareholders to make an informed decision on their election. If the Board considers there is a need to nominate a candidate to fill a casual vacancy or as an addition to the Board, Directors will be notified, and they will be entitled to nominate candidates. After receiving such nomination and the relevant résumé of the nominee, the Board will review the nomination and consideration would be given, amongst other things, to the nominee's qualification, experience and ability relevant to the Company's business. A Board meeting will then be held to discuss the nomination and approve the appointment. It is believed that all members of the Board would collectively have the required knowledge and skills in identifying, recruiting and evaluating new nominee to the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a remuneration committee on 30 June 2005 with specific written terms of reference which deal clearly with its authorities and duties, particularly including specific duties set out in Code Provision B.1.3. A majority members of the remuneration committee are independent non-executive Directors. Mr. Cheung Chung Kiu chairs the committee, and other members include Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven.

The principle role and functions of the remuneration committee are as follows:

— To review and make recommendations to the Board on remuneration policy of the Company;

— To review and make recommendations to the Board on remuneration packages of executive Directors and senior management of the Company.

— To review and make recommendations to the Board on fees payable to non-executive Directors and independent non-executive Directors.

The Company's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, GDP growth and inflation rate. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered. The remuneration committee also ensures that no individual Directors are involved in deciding their own remuneration.

Corporate Governance Report

The remuneration committee has convened one meeting during the financial year of 2009 to review the Company's remuneration policy and consider the annual salary review of 2009. The attendance of individual members at the meeting are as follows:

Name	Attended/Held	Percentage
Mr. Cheung Chung Kiu	1/1	100%
Mr. Ng Kwok Fu	1/1	100%
Mr. Leung Yu Ming, Steven	1/1	100%

ACCOUNTABILITY AND AUDIT

A. Directors' Responsibility for Financial Reporting

The Board is responsible for the integrity of financial information of the Company whereas the management shall provide explanation and information to the Board to enable them to make an informed assessment of the financial and other information put before the Board for approval.

The Board acknowledges the responsibility to present a balanced, clear and understandable assessment to annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements. All Directors acknowledge their responsibilities for preparing the accounts and financial statements for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Company. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable and necessary enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

B. Auditors' Statement

Messrs. Ernst and Young, the auditors of the Company acknowledge their reporting responsibilities in the Independent Auditors' Report on pages 26 to 27 of the annual report.

INTERNAL CONTROL

The Board acknowledges the responsibilities of establishing, maintaining and operating an effective internal control system of the Group. The Group's internal control system comprises a well-established organizational structure and comprehensive policies and procedures, aims to identify and manage risks that could adversely hinder the achievement of the business objectives of the Company, provide reasonable, albeit not absolute, assurance against failure in operational system, material error, loss or fraud to the Company.

To comply with Code Provision C.2.1., an annual review on the effectiveness of the internal control system of the Group had been conducted by the Board and reviewed by the audit committee, covering all material controls including financial, operational and compliance control and risk management functions. The annual review had, in particular, considered the adequacy of resources, qualifications and experience of the accounting staff and their training programmes and budget.

The Board is of the view that the internal control system of the Group for the year under review and up to the date of issuance of the annual report is sound and sufficient to safeguarding the interests of shareholders, customers and employees as a whole. There were neither suspected frauds, material error, misstatement and irregularities, nor infringement of applicable laws, rules and regulations that had come to the Board's attention.

Corporate Governance Report

AUDIT COMMITTEE

The Company has established an audit committee on 30 June 2005 with specific written terms of reference which deal clearly with its authorities and duties, particularly including specific duties set out in Code Provision C.3.3, with appropriate modifications when necessary. The audit committee is chaired by Mr. Luk Yu King, James, with other members including Mr. Lee Ka Sze, Carmelo, Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven, comprising a majority of independent non-executive Directors with diversified industry experience, particularly in accounting, legal, commercial and management sectors. The chairman has appropriate professional qualifications and experiences in accounting matters.

During the year under review, the audit committee has reviewed with the management and external auditors the accounting principles and policies adopted by the Company and the financial statements for the year ended 31 December 2009 and the six-month ended 30 June, 2009, and has discussed auditing, internal control and financial reporting matters of the Company.

The works and duties performed by the audit committee during the year of 2009 can be summarised as follows:

1. to monitor the integrity of financial statements of the Group, the comprehensiveness of the Company's annual report and interim report;

2. to review the group's financial and accounting policies and practices, and make recommendations to the Board for the adoption of the new or amended Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards;

3. to review the Group's internal control system;

4. to make recommendations to the Board regarding the appointment, re-appointment and removal of the Company's external auditors, their remuneration and terms of engagement; and

5. to review and monitor the auditors' independence and objectivity and effectiveness of the audit process.

The audit committee meets regularly since its establishment. In 2009, three meetings with the management and two meetings with the external auditors were held with the attendance rate of 100%. Full minutes of audit committee meetings were kept by the company secretary. Draft and final versions of minutes of the audit committee meetings were sent to all members of the committee for comments and records within a reasonable time. Details of the members' attendance at the audit committee meetings held in 2009 are as follows:

Name	Attended/Held	Percentage
Mr. Luk Yu King, James	3/3	100%
Mr. Lee Ka Sze, Carmelo	3/3	100%
Mr. Ng Kwok Fu	3/3	100%
Mr. Leung Yu Ming, Steven	3/3	100%

Corporate Governance Report

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs, Ernst & Young was as follows:

Services rendered	Fees paid/payable *(HK$)*
Audit fee	1,200,000
Non-audit Fee (Note)	302,800
Total	1,502,800

Note: non-audit fee includes an interim result advisory fee of HK$200,000 and tax compliance service fee of HK$102,800.

DELEGATION BY THE BOARD

A. Management Functions

The Board steers the Company's business direction. The day-to-day management, administration and operation of the Company have been delegated to management via various committees. Matters reserve to be decided by the Board including the formulation of the long-term corporate strategy, setting business development plans, supervising and monitoring performance of the management, reviewing the effectiveness of the system of internal control including financial, operational, compliance and risk management, responsible for the appointment, removal or re-appointment of Directors, senior management and auditors, and determining the remuneration of Directors and senior management based on the recommendations of the remuneration committee.

Directions as to the powers delegated to the management are clearly identified, in particular, with respect to circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. In addition, periodical reviews will be conducted by the Board to ensure delegated tasks are appropriately performed.

Corporate Governance Report

B. Board Committees

The following board committees were established to deal with matters, and specific written terms and reference were set out to deal clearly with the committees' authorities and duties:

i) Remuneration Committee

Remuneration committee, comprising a majority of independent non-executive Directors, was established on 30 June 2005. Particulars are disclosed under the section headed "Remuneration of Directors and Senior Management" on page 11 of this report.

ii) Audit Committee

Audit committee, comprising a majority of independent non-executive Directors, was established on 30 June 2005. Particulars are disclosed under the section headed "Audit Committee" on page 13 of this report.

iii) Executive Board Committee

Executive board committee, which is responsible for the day-to-day management, administration and operation of the Company, was established on 31 December 2004. The committee comprises all executive Directors and chaired by the chairman of the Board.

iv) Credit Committee

Credit committee, which is responsible for reviewing the money lending business of the Company, was established on 12 May 2005. The committee is chaired by Mr. Cheung Chung Kiu, with other members including Mr. Yuen Wing Shing and Mr. Lam Hiu Lo.

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

At the annual general meeting held on 15 May 2009, a separate resolution was proposed by the chairman in respect of each substantially separate issue. The chairman of the Board and the chairman of the audit and remuneration committees attended to answer questions of shareholders. The notice of 2009 annual general meeting was sent to shareholders on 9 April 2009. Pursuant to Code Provision E.1.3, the notice of 2010 annual general meeting will be sent to shareholders on 13 April 2010, at least 20 clear business days before the meeting.

Report of the Directors

The Board of Yugang International Limited has pleasure in presenting the report together with the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries and principal associates are set out in notes 18 and 19 to the financial statements respectively.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the group for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 85.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$0.002 per share for the year ended 31 December 2009 (2008: Nil) to shareholders whose names appear on the register of members of the Company on 24 May 2010. No interim dividend was declared for the financial years of 2009 and 2008. Subject to shareholders' approval at the forthcoming annual genenal meeting, the proposed final dividend will be paid to shareholders on or about 8 June 2010. Details of this recommendation is set out in note 13 to the financial statements.

RESERVES

Particulars of the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2009, calculated in accordance with The Companies Act 1981 of Bermuda (as amended from time to time), amounted to HK$868,165,000 (2008: HK$842,572,000), of which HK$18,611,000 (2008: Nil) was proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$907,280,000 (2008: HK$907,280,000), may be distributed in the form of fully paid bonus shares.

SEGMENT INFORMATION

An analysis of the segment performance of the Group for the year ended 31 December 2009 is set out in note 4 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 86. This summary does not form part of the audited financial statements.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the property, equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements respectively.

Report of the Directors

SHARE CAPITAL

Particulars of the Company's share capital during the year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provision in The Companies Act 1981 of Bermuda (as amended from time to time) or in the Bye-laws.

CHARITABLE DONATIONS

The Group's charitable and other donations during the year amounted to HK$5,602,000 (2008: HK$1,142,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Cheung Chung Kiu (Chairman)
Mr. Yuen Wing Shing (Managing Director)
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-executive Directors:

Mr. Lee Ka Sze, Carmelo
Mr. Wong Yat Fai

Independent non-executive Directors:

Mr. Luk Yu King, James
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

Pursuant to Bye-law 87 of the Bye-laws, Mr. Cheung Chung Kiu, Mr. Liang Kang, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven will retire by rotation at the conclusion of the annual general meeting to be held on 24 May 2010, and, being eligible, Mr. Cheung Chung Kiu and Mr. Liang Kang will offer themselves for re-election as executive Directors, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven will offer themselves for re-election as independent non-executive Directors. Details of proposed Directors to be re-elected are set out in the circular to shareholders sent together with the annual report.

In accordance with the Bye-laws, each non-executive Director will be appointed for a specific term of not more than three years, subject to retirement by rotation at least once every three years.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received an annual written confirmation of independence from each of the independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have met the standards set out in the guidelines under the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Company are set out in section headed "Profiles of Directors and Senior Management" on pages 24 to 25 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the Directors' emoluments and the five highest paid individuals in the Group are set out in notes 9 to 10 to the financial statements respectively.

MANAGEMENT CONTRACTS

There was no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors and their associates had any interest in business which competed or was likely to compete, directly or indirectly, with the principal business of the Group .

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2009, the interests and short positions of Directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of 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 pursuant to the Model Code were as follows:

(i) Long positions in shares of the Company:

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Cheung Chung Kiu	Corporate *(note 1)*	4,046,389,740	43.49
	Personal	53,320,000	0.57
Mr. Zhang Qing Xin	Personal	13,600,000	0.15
Mr. Lam Hiu Lo	Personal	41,800,000	0.45
Mr. Liang Kang	Personal	20,000,000	0.21

Report of the Directors

(ii) Long positions in shares of associated corporations:

Name of Director	Name of associated corporation	Relationship with the Company	Shares	Nature of interest	Number of shares held	Percentage of the associated corporation's issued share capital
Mr. Cheung Chung Kiu	Y.T. Realty Group Limited	Associate	Ordinary shares	Corporate *(note 2)*	273,000,000	34.14
Mr. Ng Kwok Fu	Y.T. Realty Group Limited	Associate	Ordinary shares	Personal and family	90,000	0.01

Notes:

(1) Out of the 4,046,389,740 shares, 3,194,434,684 shares were held by Chongqing Industrial Limited ("Chongqing") and 851,955,056 shares were held by Timmex Investment Limited ("Timmex").

Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have 35%, 30%, 5% and 30% equity interests in Chongqing respectively.

Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the beneficiaries include Mr. Cheung Chung Kiu and his family.

Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

(2) The 273,000,000 shares were held by Funrise Limited which is indirectly controlled by Palin Holdings Limited as trustee for Palin Discretionary Trust, a family discretionary trust, the beneficiaries include Mr. Cheung Chung Kiu and his family.

Save as disclosed above, as at 31 December 2009, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations were recorded in the register as required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SHARE OPTIONS

The share option scheme of the Company (the "Share Option Scheme") was adopted on 29 April 2005, the terms of which were in line with and complied with the requirements of Chapter 17 of the Listing Rules.

No option was granted under the Share Option Scheme during the year and no option was outstanding as at 31 December 2009.

The particulars in relation to the Share Option Scheme that are required to be disclosed under Rules 17.07 to 17.09 of the Listing Rules are set out below:

(1) Purpose of the Share Option Scheme	To provide incentives and rewards to eligible participants for their contributions to the Group and enable the Group to retain existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.
(2) Participants of the Share Option Scheme	It includes directors, officers and employees of the Eligible Group and any executives, officers or employees of any business consultants, professional and other advisers of any members of the Eligible Group. The Eligible Group includes: (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of the Company or of substantial shareholders referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above.
(3) The total number of securities available for issue under the Share Option Scheme together with the percentage of the issued share capital as at the date of the annual report	930,527,675 ordinary shares and 10.0% of the existing issued share capital.

Report of the Directors

(4) The maximum entitlement of each participant under the Share Option Scheme	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. 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 million, within any 12-month period, are subject to shareholders' approval in a general meeting.
(5) The period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by Directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Share Option Scheme.
(6) The minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by Directors.
(7) Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted with a consideration of HK$1 being payable by the grantee.
(8) The basis of determining the exercise price	The exercise price is determined by Directors and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.
(9) The remaining life of the Share Option Scheme	The Share Option Scheme remains in force until 28 April 2015.

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

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests" and "Share Options" above, at no time during the year was the Company, or any of its subsidiaries or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any body corporate, and none of Directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Timmex Investment Limited	1	Corporate	851,955,056	9.16
Chongqing Industrial Limited	2	Corporate	3,194,434,684	34.33
Palin Holdings Limited	3	Trustee of a Family Trust	3,194,434,684	34.33
Mr. Cheung Chung Kiu	4	Corporate and personal	4,099,709,740	44.06

Notes:

(1) Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

(2) The voting rights of these shares are exercisable by Chongqing, which is controlled by Mr. Cheung Chung Kiu.

(3) Palin Holdings Limited is the trustee for the Palin Discretionary Trust, a family discretionary trust, the beneficiaries include Mr. Cheung Chung Kiu and his family.

(4) Out of the 4,099,709,740 shares, 3,194,434,684 shares and 851,955,056 shares are held by Chongqing and Timmex respectively and 53,320,000 shares are held by Mr. Cheung Chung Kiu personally.

Save as disclosed above, as at 31 December 2009, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO.

Report of the Directors

CHANGE IN PROFILE OF DIRECTORS

The Company received notification of change in personal particulars from Mr. Lee Ka Sze, Carmelo in relation to his resignation as a non-executive director of Taifook Securities Group Limited, a public company the shares of which are traded on the Stock Exchange. The profile of Mr. Lee has been updated accordingly.

MAJOR CUSTOMERS AND SUPPLIERS

In 2009, sales to the Group's five largest customers accounted for 100% of the total sales for the year whereas sales to the largest customer included therein amounted to 50.7%. There were no purchase from suppliers by the Group during the year.

Neither the Directors and their associates, nor any shareholders who, to the best knowledge of Directors, own more than 5% of the Company's issued share capital, had any interest in any of the five largest customers.

MANDATORY PROVIDENT FUND

Particulars of the Company's MPF are set out in note 2.4 to the financial statement of this annual report.

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 listed securities of the Company during the year.

CORPORATE GOVERNANCE

The Company is committed to an on-going enhancement of effective and efficient corporate governance practices. Information on corporate governance practices adopted by the Company is set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements for the year ended 31 December 2009 have been audited by Messrs. Ernst & Young, Certified Public Accountants, who will retire at the conclusion of the annual general meeting to be held on 24 May 2010, being eligible, offer themselves for reappointment. A resolution for re-appointment of Messrs. Ernst & Young as auditors of the Company and to authorise Directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yuen Wing Shing
Managing Director

Hong Kong, 26 March 2010

Profiles of Directors and Senior Management

Cheung Chung Kiu, aged 45, was appointed the Chairman and an executive Director of the Company in 1993. He is the chairman and a member of the remuneration committee and an Authorised Representative of the Company. He also serves as a director of several subsidiaries of the Company. He is the director of Palin Holdings Limited, Chongqing Industrial Limited and Timmex Investment Limited, which are companies disclosed under the section headed "Interests of Substantial Shareholders" on page 22. Mr. Cheung is the founder of the Company and he set up Chongqing Industrial Limited in 1985, a company mainly engaged in trading business in the PRC. Mr. Cheung is also the chairman and executive director of Y.T. Realty Group Limited ("Y.T. Realty"), The Cross-Harbour (Holdings) Limited ("Cross-Harbour") and C C Land Holdings Limited ("C C Land"), all being listed public companies in Hong Kong.Further, Mr. Cheung is the son of Mr. Zhang Qing Xin, a Director of the Company.

Yuen Wing Shing, aged 63, was appointed an executive Director of the Company in June 1993 and the managing director of the Company on 1 January 2005. He is the Authorised Representative of the Company and also serves as a director of several subsidiaries of the Company. He is responsible for the Group's administration and business operations. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he held senior management positions with a major bank in Hong Kong for over 20 years. He is also an executive director of Y.T. Realty and Cross-Harbour, and a non-executive director of Silver Grant International Industries Limited, all being listed public companies in Hong Kong.

Zhang Qing Xin, aged 73, was appointed an executive Director of the Company in December 1995. Mr. Zhang has over 20 years of experience in import and export trading business. Prior to joining the Company, he was the Deputy General Manager of a foreign trade enterprise for more than 10 years. Mr. Zhang is the director of Chongqing Industrial Ltd, the major shareholder of the Company. Further, Mr. Zhang is the father of Mr. Cheung Chung Kiu, the Chairman of the Company.

Lam Hiu Lo, aged 48, was appointed an executive Director of the Company in 1993. He also serves as a director of several subsidiaries of the Company. He is mainly responsible for the sales and marketing of the Group's trading business in the PRC. He has over 24 years of experience in trading with PRC parties. He is an executive director of C C Land, whose shares are traded on the Stock Exchange.

Liang Kang, aged 67, was appointed an executive Director of the Company in June 1995. He is mainly responsible for the sales and marketing of the Group's trading business in the PRC. Prior to joining the Company, he engaged in the trading business in the PRC for over 15 years.

Lee Ka Sze, Carmelo, aged 49, was appointed an independent non-executive Director in 1993 and redesignated as a non-executive Director of the Company on 30 September 2004. He is also a member of the audit committee of the Company. Mr. Lee received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. He is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries, which firm rendered professional services to the Company and received normal remuneration for such services. Mr. Lee is also a non-executive director of Y. T. Realty, Cross-Harbour, China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited. He is also an independent non-executive director of KWG Property Holdings Limited and Ping An Insurance (Group) Company of China, Limited, all being listed public companies in Hong Kong. Further, he is a deputy chairman of the listing committee of the Stock Exchange, an adjudicator of the Registration of Persons Tribunal and a chairman of the Transport Tribunal of Hong Kong SAR Government.

Wong Yat Fai, aged 50, was appointed an independent non-executive Director of the Company on 30 September 2004 and re-designated as non-executive Director of the Company on 1 October 2007. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of working experience with an international banking group. He is an executive director of GR Vietnam Holdings Limited and a non-executive director of Y. T. Realty, Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

Profiles of Directors and Senior Management

Luk Yu King, James, aged 55, was appointed an independent non-executive Director of the Company in September 2007. He is the chairman and a member of the audit committee of the Company. Mr. Luk graduated from the University of Hong Kong with a bachelor degree in Science. He is a fellow of The Association of Chartered Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants and an ordinary member of Hong Kong Securities Institute. Mr. Luk has over ten years of experience in corporate finance, securities and commodities trading business with several international and local financial institutions. Mr. Luk is an independent non-executive director of Y.T. Realty and Cross-Harbour, all being listed public companies in Hong Kong.

Ng Kwok Fu, aged 38, was appointed an independent non-executive Director of the Company on 30 September, 2004. He is a member of the audit committee and remuneration committee of the Company. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College. Mr. Ng has over 20 years experience in marketing, trading and purchasing of construction materials and providing technical control, support and management in building projects. He is an independent non-executive director of Y. T. Realty and Cross-Harbour, all being listed public companies in Hong Kong.

Leung Yu Ming, Steven, aged 50, was appointed an independent non-executive Director of the Company in October 2007. He is a member of the audit committee and remuneration committee of the Company. Mr. Leung holds the degree of Master in Accountancy from Charles Sturt University in Australia and the degree of Bachelor of Social Sciences from the Chinese University of Hong Kong. Mr. Leung is an associate of The Institute of Chartered Accountants in England and Wales, and a fellow of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. Mr. Leung is also a practising certified public accountant in Hong Kong and a certified practicing accountant of CPA Australia. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice-President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. Mr. Leung has over 24 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Y.T. Realty, Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

Leung Wai Fai, aged 48, joined the Company in 1993 and is the Group's Financial Controller. Mr. Leung graduated from University of Wisconsin – Madison, USA, with a Bachelor of Business Administration degree. He is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is an executive director of Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

Wong Ka Tai, aged 43, joined the Company in 2000 and held the position of Senior Finance and Accounting Manager. Mr. Wong graduated with a Bachelor of Business Administration degree major in finance. He holds a Master of Corporate Finance degree with credit from The Hong Kong Polytechnic University. He is a fellow of The Association of Chartered Certified Accountants and an associate of The Hong Kong Institute of Certified Public Accountants. He has more than 16 years experience in accounting, auditing, tax planning, internal audit and corporate finance. Prior to joining the Company, he had held a senior position with a sizeable publicly listed company for over 3 years and had relevant audit experience in an international accounting firm.

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Yugang International Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Yugang International Limited set out on pages 28 to 85, which comprise the consolidated and company statements of financial position 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 statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and 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.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

26 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
REVENUE	5	**105,006**	(219,185)
Cost of sales		**—**	(2,304)
Gross profit/(loss)		**105,006**	(221,489)
Other income and gains	5	**18,710**	23,142
Administrative expenses		**(99,540)**	(90,175)
Other expenses	6	**—**	(453,888)
Finance costs	8	**(376)**	(1,419)
Share of profits and losses of associates		**145,011**	17,151
PROFIT/(LOSS) BEFORE TAX	7	**168,811**	(726,678)
Income tax	11	**(158)**	3,012
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12	**168,653**	(723,666)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic and diluted		**HK1.81 cents**	HK(7.78) cents

Details of dividends are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR		168,653	(723,666)
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value	22	422,038	(2,404,065)
Release upon early redemption		—	11,091
		422,038	(2,392,974)
Share of other comprehensive income/(loss) of associates		3,749	(9,470)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		425,787	(2,402,444)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		594,440	(3,126,110)

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
NON-CURRENT ASSETS			
Property and equipment	15	13,457	12,076
Investment properties	16	18,000	17,200
Prepaid land lease payments	17	62,633	63,925
Interests in associates	19	1,162,706	1,019,405
Convertible notes receivable - loan portion	20	6,013	4,631
Loans receivable	21	—	1,000
Available-for-sale investments	22	926,603	511,224
Other assets		360	360
Total non-current assets		2,189,772	1,629,821
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss	23	309,051	377,530
Conversion option derivative	20	6,720	4,858
Loans receivable	21	1,000	1,000
Prepayments, deposits and other receivables	24	4,280	4,000
Pledged time deposits	25	9,341	9,330
Time deposits	25	1,784	40,144
Cash and bank balances	25	130,000	49,587
Total current assets		462,176	486,449
CURRENT LIABILITIES			
Tax payable		29,463	28,459
Other payables and accruals	26	21,942	21,866
Interest-bearing bank loans	27	60,000	120,000
Total current liabilities		111,405	170,325
NET CURRENT ASSETS		350,771	316,124
TOTAL ASSETS LESS CURRENT LIABILITIES		2,540,543	1,945,945
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	2,023	1,865
Net assets		2,538,520	1,944,080

Consolidated Statement of Financial Position *(continued)*

31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	29	**93,053**	93,053
Reserves	30	**2,445,467**	1,851,027
Total equity		**2,538,520**	1,944,080

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to equity holders of the Company						
	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 2008	93,053	907,280	760,799	1,973,802	(198)	1,363,370	5,098,106
Loss for the year	—	—	—	—	—	(723,666)	(723,666)
Other comprehensive loss for the year	—	—	—	(2,392,974)	(9,470)	—	(2,402,444)
Total comprehensive loss for the year	—	—	—	(2,392,974)	(9,470)	(723,666)	(3,126,110)
Dividend paid	—	—	—	—	—	(27,916)	(27,916)
At 31 December 2008 and at 1 January 2009	93,053	907,280*	760,799*	(419,172)*	(9,668)*	611,788*	1,944,080
Profit for the year	—	—	—	—	—	168,653	168,653
Other comprehensive income for the year	—	—	—	422,038	3,749	—	425,787
Total comprehensive income for the year	—	—	—	422,038	3,749	168,653	594,440
At 31 December 2009	93,053	907,280*	760,799*	2,866*	(5,919)*	780,441*	2,538,520

* These reserve accounts comprise the consolidated reserves of HK$2,445,467,000 (2008: HK$1,851,027,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		168,811	(726,678)
Adjustments for:			
Share of profits and losses of associates		(145,011)	(17,151)
Interest income on bank deposits	5	(14)	(1,455)
Dividend income from available-for-sale investments	5	(7,233)	(13,269)
Fair value gains on investment properties	5	(800)	(1,900)
Loss on early redemption of an available-for-sale investment	6	—	11,170
Fair value loss/(gain) on a conversion option derivative	5, 6	(1,861)	356
Fair value losses/(gains) on listed equity investments at fair value through profit or loss, net	5, 6	(6,651)	421,670
Depreciation	7	2,279	2,459
Amortisation of prepaid land lease payments	7	1,292	1,632
Impairment of trade receivables	6	—	4,390
Impairment of an available-for-sale investment	6	—	4,970
Write-off of an other receivable	6	—	222
Gain on disposal of an other asset	5	—	(3,000)
Losses on disposal of items of property and equipment and associated prepaid land lease payments, net	6	—	10,259
Finance costs	8	376	1,419
		11,188	(304,906)
Decrease/(increase) in listed equity investments at fair value through profit or loss		75,130	(42,318)
Decrease in loans receivable		1,000	101,729
Decrease in trade receivables		—	737
Decrease/(increase) in prepayments, deposits and other receivables		(82)	11,072
Decrease/(increase) in dividends receivable from listed equity investments at fair value through profit or loss		(307)	3,272
Decrease/(increase) in interests receivable from convertible notes and loans receivable		(1,273)	650
Decrease in trade payables		—	(1,046)
Increase/(decrease) in other payables and accruals		176	(2,568)
Cash generated from/(used in) operations		85,832	(233,378)
Hong Kong profits tax refunded		1,004	—
Net cash flows from/(used in) operating activities		86,836	(233,378)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
Net cash flows from/(used in) operating activities		86,836	(233,378)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	15	(3,660)	(674)
Proceeds from early redemption of an available-for-sale investment		6,659	7,740
Proceeds from disposal of an other asset		—	15,000
Proceeds from disposal of items of property and equipment and associated prepaid land lease payments		—	26,277
Interest received from bank deposits		12	1,458
Dividend received from an associate		5,460	8,190
Dividend income from available-for-sale investments	5	7,233	13,269
Purchases of convertible notes		—	(9,600)
Purchases of available-for-sale investments		—	(12,033)
Increase in pledged time deposits		(11)	(124)
Net cash flows from investing activities		15,693	49,503
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		200,000	235,000
Repayment of bank loans		(260,000)	(115,000)
Interest paid		(476)	(1,316)
Dividend paid		—	(27,916)
Net cash flows from/(used in) financing activities		(60,476)	90,768
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		42,053	(93,107)
Cash and cash equivalents at beginning of year		89,731	182,838
CASH AND CASH EQUIVALENTS AT END OF YEAR		131,784	89,731
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		130,000	49,587
Non-pledged time deposits with original maturity of less than three months when acquired		1,784	40,144
		131,784	89,731

Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	1,853,561	1,833,448
CURRENT ASSETS			
Prepayments	24	804	786
Cash and bank balances	25	14,800	9,339
Total current assets		15,604	10,125
CURRENT LIABILITIES			
Other payables and accruals	26	667	668
Total current liabilities		667	668
NET CURRENT ASSETS		14,937	9,457
Net assets		1,868,498	1,842,905
EQUITY			
Issued capital	29	93,053	93,053
Reserves	30	1,775,445	1,749,852
Total equity		1,868,498	1,842,905

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Notes to Financial Statements

31 December 2009

1. CORPORATE INFORMATION

Yugang International Limited (the "Company") is a company incorporated in Bermuda with limited liability. The principal place of business of the Company is located at Rooms 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

(i) treasury investment;

(ii) property investment; and

(iii) trading of scrap metals and other materials.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Notes to Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments - Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* (adopted from July 2009)
Improvements to HKFRSs (October 2008) **	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary,* which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 7 Amendments, HKFRS 8, HKFRS 8 Amendment and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no changes to the accounting policies applied in these financial statements.

Notes to Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

The principal effects of adopting HKFRS 7 Amendments, HKFRS 8, HKFRS 8 Amendment and HKAS 1(Revised) are as follows:

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 36 to the financial statements while the revised liquidity risk disclosures are presented in note 37 to the financial statements.

(b) HKFRS 8 *Operating Segments* and Amendment to HKFRS 8 *Operating Segments - Disclosure of information about segment assets*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of HKFRS 8 did not have any effect on the financial position or performance of the Group. However, it has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's senior management and has resulted in additional reportable segment being identified and presented. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Notes to Financial Statements

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative* HKFRS 7 *Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised), HKFRS 9 and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include other payables and interest-bearing bank loans.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

After initial recognition, other payables and interest-bearing loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

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

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances and time deposits represent assets which are not restricted as to use.

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:

(a) 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 managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income from properties, in the period in which the properties are let and on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) gain or loss on the disposal of listed securities, on the trade date.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit scheme

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

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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31 December 2009

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

At 31 December 2009, no impairment losses have been recognised for the Group's available-for-sale investment which is stated at fair value (2008: Nil). If the decline in fair value below cost of the relevant available-for-sale investment was considered significant or prolonged, the Group would suffer an additional loss of HK$419,172,000 for the year ended 31 December 2008, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale investment to the consolidated income statement.

Notes to Financial Statements

31 December 2009

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 28 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

(a) The treasury investment segment trades and holds debt and equity securities, receives interest and dividend income from the relevant securities investments and interest income from the provision of financing services.

(b) The property and infrastructure investment segment invests in properties for rental income and/or for capital appreciation potential, and invests in an associate which holds two tunnels in Hong Kong generating toll revenue. The property investment activities of this segment are carried out by Y.T. Realty, an associate of the Group, whilst the infrastructure investment activities are carried out through an associate of Y.T. Realty.

(c) The "Others" segment consists of the trading of scrap metals and other materials, and other investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Notes to Financial Statements

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Information regarding the Group's reportable segments, together with their related revised comparative information, is presented below:

Year ended 31 December 2009

	Treasury investment *HK$'000*	Property and infrastructure investment *HK$'000*	Others *HK$'000*	Reportable segments total *HK$'000*	Adjustments (Note) *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Revenue	105,006	136,800	—	241,806	(136,800)	105,006
Other income and gains	15,758	525	2,952	19,235	(525)	18,710
Total revenue and gains	120,764	137,325	2,952	261,041	(137,325)	123,716
Segment profit/(loss) for the year	41,502	424,751	(2,361)	463,892	(279,740)	184,152
Corporate and unallocated income and expenses, net						(15,499)
Profit for the year						168,653

	Treasury investment *HK$'000*	Property and infrastructure investment *HK$'000*	Others *HK$'000*	Corporate and unallocated *HK$'000*	Consolidated *HK$'000*
Other segment information:					
Share of profits and losses of associates	—	145,011	—	—	145,011
Interests in associates	—	1,162,706	—	—	1,162,706
Capital expenditure	—	—	1,844	1,816	3,660
Depreciation	—	—	413	1,866	2,279
Amortisation of prepaid land lease payments	—	—	—	1,292	1,292
Interest revenue	2,907	—	—	—	2,907
Interest expense	376	—	—	—	376

Note: The activities of the property and infrastructure investment segment are carried out through the Group's associates and therefore, the entire revenue and gains of this reportable segment and its profit for the year not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit for the year.

Notes to Financial Statements

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Reportable segments total HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Segment revenue:						
Revenue	(221,535)	124,344	2,350	(94,841)	(124,344)	(219,185)
Other income and gains	14,724	957	8,418	24,099	(957)	23,142
Total revenue and gains	(206,811)	125,301	10,768	(70,742)	(125,301)	(196,043)
Segment profit/(loss) for the year	(714,277)	170,781	(1,156)	(544,652)	(153,630)	(698,282)
Corporate and unallocated income and expenses, net						(25,384)
Loss for the year						(723,666)

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Other segment information:					
Share of profits and losses of associates	—	17,151	—	—	17,151
Interests in associates	—	1,019,405	—	—	1,019,405
Capital expenditure	—	—	—	674	674
Depreciation	52	—	171	2,236	2,459
Amortisation of prepaid land lease payments	—	—	—	1,632	1,632
Interest revenue	2,814	—	—	—	2,814
Interest expense	1,419	—	—	—	1,419

Note: The activities of the property and infrastructure investment segment are carried out through the Group's associates and therefore, the entire revenue and gains of this reportable segment and its profit for the year not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated loss for the year.

The Group's revenue from each product or service is set out in note 5 to the financial statements.

The Group's revenue is derived solely from its operations in Hong Kong, and the non-current assets of the Group are substantially located in Hong Kong.

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5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, gains/(losses) on disposal of listed equity investments at fair value through profit or loss, dividend income from listed equity investments at fair value through profit or loss, and interest income from convertible notes and loans receivable during the year.

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

	2009 *HK$'000*	2008 *HK$'000*
Revenue		
Sale of goods	—	2,350
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	64,378	(232,123)
Dividend income from listed equity investments at fair value through profit or loss	37,721	7,774
Interest income from convertible notes and loans receivable	2,907	2,814
	105,006	(219,185)
Other income and gains		
Gross rental income	939	835
Interest income on bank deposits	14	1,455
Fair value gains, net:		
Listed equity investments at fair value through profit or loss	6,651	—
Conversion option derivative	1,861	—
Dividend income from available-for-sale investments	7,233	13,269
Fair value gains on investment properties *(note 16)*	800	1,900
Gain on disposal of an other asset	—	3,000
Others	1,212	2,683
	18,710	23,142

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6. OTHER EXPENSES

	2009 *HK$'000*	2008 *HK$'000*
Fair value losses, net:		
Listed equity investments at fair value through profit or loss	—	421,670
Conversion option derivative	—	356
Loss on early redemption of an available-for-sale investment	—	11,170
Losses on disposal of items of property and equipment and associated prepaid land lease payments, net	—	10,259
Exchange losses, net	—	851
Impairment of trade receivables	—	4,390
Impairment of an available-for-sale investment	—	4,970
Write-off of an other receivable	—	222
	—	453,888

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting) the following:

	Notes	2009 *HK$'000*	2008 *HK$'000*
Cost of inventories sold		—	2,304
Depreciation	15	**2,279**	2,459
Amortisation of prepaid land lease payments	17	**1,292**	1,632
Minimum lease payments under operating leases:			
Land and buildings		**1,367**	1,130
Others		**8,881**	7,142
		10,248	8,272
Auditors' remuneration		**1,200**	1,200
Staff costs (including directors' remuneration) *(note 9)*:			
Wages and salaries		**42,767**	40,572
Pension scheme contributions		**496**	441
		43,263	41,013
Net rental income		**(866)**	(763)

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8. FINANCE COSTS

	Group	
	2009 HK$'000	2008 HK$'000
Interest on bank loans	376	1,419

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Fees	2,000	1,900
Other emoluments:		
Salaries, allowances and benefits in kind	11,855	11,235
Discretionary bonuses	8,500	7,400
Pension scheme contributions	48	48
	22,403	20,583

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2009 HK$'000	2008 HK$'000
Mr. Luk Yu King, James	400	400
Mr. Ng Kwok Fu	200	200
Mr. Leung Yu Ming, Steven	200	100
	800	700

There were no other emoluments payable to the independent non-executive Directors during the year (2008: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive Directors and non-executive Directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive Directors:					
Mr. Cheung Chung Kiu	—	4,670	4,000	12	8,682
Mr. Yuen Wing Shing	—	3,235	1,400	12	4,647
Mr. Lam Hiu Lo	—	1,490	1,200	12	2,702
Mr. Zhang Qing Xin	—	1,360	1,200	—	2,560
Mr. Liang Kang	—	1,100	700	12	1,812
	—	11,855	8,500	48	20,403
Non-executive Directors:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
Mr. Wong Yat Fai	200	—	—	—	200
	1,200	—	—	—	1,200
	1,200	11,855	8,500	48	21,603
2008					
Executive Directors:					
Mr. Cheung Chung Kiu	—	4,480	3,000	12	7,492
Mr. Yuen Wing Shing	—	3,020	1,300	12	4,332
Mr. Lam Hiu Lo	—	1,420	1,200	12	2,632
Mr. Zhang Qing Xin	—	1,280	1,200	—	2,480
Mr. Liang Kang	—	1,035	700	12	1,747
	—	11,235	7,400	48	18,683
Non-executive Directors:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
Mr. Wong Yat Fai	200	—	—	—	200
	1,200	—	—	—	1,200
	1,200	11,235	7,400	48	19,883

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
	2009 *HK$'000*	2008 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	3,428	3,196
Discretionary bonuses	2,400	2,400
Pension scheme contributions	24	24
	5,852	5,620

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
HK$2,500,001 to HK$3,000,000	1	2
HK$3,000,001 to HK$3,500,000	1	—
	2	2

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2009 *HK$'000*	2008 *HK$'000*
Group:		
Current - Hong Kong		
Overprovision in prior years	—	(3,249)
Deferred *(note 28)*	158	237
Total tax charge/(credit) for the year	158	(3,012)

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11. INCOME TAX *(continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate to the tax expense/(credit) at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

Group

	2009		2008	
	HK$'000	%	*HK$'000*	%
Profit/(loss) before tax	**168,811**		(726,678)	
Tax at the statutory tax rate	**27,854**	**16.5**	(119,902)	16.5
Adjustments in respect of current tax of previous years	**—**	**—**	(3,249)	0.5
Profits and losses attributable to associates	**(23,927)**	**(14.2)**	(2,830)	0.4
Income not subject to tax	**(11,146)**	**(6.6)**	(4,665)	0.6
Expenses not deductible for tax	**2,638**	**1.6**	22,917	(3.2)
Tax losses not recognised	**4,688**	**2.8**	104,731	(14.4)
Tax losses utilised from previous years	**(87)**	**(0.1)**	(54)	—
Others	**138**	**0.1**	40	—
Tax charge/(credit) at the Group's effective rate	**158**	**0.1**	(3,012)	0.4

The share of tax attributable to associates amounting to HK$19,781,000 (2008: HK$3,276,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2009 includes a profit of HK$25,593,000 (2008: loss of HK$5,315,000) which has been dealt with in the financial statements of the Company *(note 30)*.

13. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Proposed final - HK$0.002 (2008: Nil) per ordinary share	**18,611**	—

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14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2009 and 2008 as the Group had no potentially dilutive ordinary shares in issue during those years.

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

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculation	168,653	(723,666)

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	9,305,276,756	9,305,276,756

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15. PROPERTY AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2009						
At 31 December 2008 and at 1 January 2009:						
Cost	11,458	4,902	5,615	2,941	16,395	41,311
Accumulated depreciation and impairment	(3,087)	(4,573)	(5,282)	(2,687)	(13,606)	(29,235)
Net carrying amount	8,371	329	333	254	2,789	12,076
At 1 January 2009, net of accumulated depreciation and impairment	8,371	329	333	254	2,789	12,076
Additions	—	1,855	1,367	157	281	3,660
Depreciation provided during the year	(230)	(353)	(261)	(113)	(1,322)	(2,279)
At 31 December 2009, net of accumulated depreciation and impairment	8,141	1,831	1,439	298	1,748	13,457
At 31 December 2009:						
Cost	11,458	6,757	6,982	3,098	16,676	44,971
Accumulated depreciation and impairment	(3,317)	(4,926)	(5,543)	(2,800)	(14,928)	(31,514)
Net carrying amount	8,141	1,831	1,439	298	1,748	13,457

Notes to Financial Statements

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15. PROPERTY AND EQUIPMENT *(continued)*

Group

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2008						
At 31 December 2007 and at 1 January 2008:						
Cost	15,206	5,831	6,071	2,914	16,595	46,617
Accumulated depreciation and impairment	(2,987)	(4,475)	(5,188)	(2,572)	(12,744)	(27,966)
Net carrying amount	12,219	1,356	883	342	3,851	18,651
At 1 January 2008, net of accumulated depreciation and impairment	12,219	1,356	883	342	3,851	18,651
Additions	—	39	234	124	277	674
Disposals	(3,548)	(695)	(474)	(73)	—	(4,790)
Depreciation provided during the year	(300)	(371)	(310)	(139)	(1,339)	(2,459)
At 31 December 2008, net of accumulated depreciation and impairment	8,371	329	333	254	2,789	12,076
At 31 December 2008:						
Cost	11,458	4,902	5,615	2,941	16,395	41,311
Accumulated depreciation and impairment	(3,087)	(4,573)	(5,282)	(2,687)	(13,606)	(29,235)
Net carrying amount	8,371	329	333	254	2,789	12,076

Certain of the Group's buildings were pledged to banks to secure banking facilities granted to the Group *(note 33)*.

Notes to Financial Statements

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16. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	17,200	15,300
Net profit from a fair value adjustment	800	1,900
Carrying amount at 31 December	18,000	17,200

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis as at 31 December 2009. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a).

At 31 December 2009, the Group's investment properties with a carrying value of HK$18,000,000 (2008: HK$17,200,000) were pledged to a bank to secure banking facilities granted to the Group *(note 33)*.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	65,119	98,497
Disposals	—	(31,746)
Recognised during the year	(1,292)	(1,632)
Carrying amount at 31 December	63,827	65,119
Current portion included in prepayments, deposits and other receivables *(note 24)*	(1,194)	(1,194)
Non-current portion	62,633	63,925

The Group's leasehold land is held under the following lease terms in Hong Kong:

	2009	2008
	HK$'000	*HK$'000*
Long term leases	55,921	57,008
Medium term leases	7,906	8,111
	63,827	65,119

Certain of the Group's leasehold land was pledged to banks to secure banking facilities granted to the Group *(note 33)*.

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18. INTERESTS IN SUBSIDIARIES

	Company 2009 HK$'000	Company 2008 HK$'000
Unlisted shares, at cost	105,759	105,759
Due from subsidiaries	1,747,802	1,727,689
	1,853,561	1,833,448

The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2009	Percentage of equity attributable to the Company 2008	Principal activities
Big Brother Resources Limited	British Virgin Islands	US$1	100	100	Property holding
Bookman Properties Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Securities investment
Chase Create Investments Limited	Hong Kong	HK$2	100	100	Property holding
Ferrex Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
First River Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Funrise Limited	British Virgin Islands	US$1	100	100	Investment holding
Joywell Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding

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18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Kent Smart Investments Limited	Hong Kong	HK$2	100	100	Property holding
Maxking Industries Limited	Hong Kong	HK$2	100	100	Motor Vehicle leasing
Maxlord Enterprises Limited	Hong Kong	HK$2	100	100	Money lending
Megaspace Asia Limited	British Virgin Islands	US$1	100	100	Property holding
New Wealth Limited	Hong Kong	HK$2	100	100	Property investment
Regulator Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Senico Investments Limited	British Virgin Islands	US$1	100	100	Trading of metal commodities and other materials
Time Lander Limited	British Virgin Islands	US$1	100	100	Property holding
Top Eagle Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Yugang Finance Limited	Hong Kong	HK$2	100	100	Provision of financial services
Yugang International (B.V.I.) Limited	British Virgin Islands	US$5	100	100	Investment holding
Yugang Management Limited	Hong Kong	HK$2	100	100	Corporate management

Except for Yugang International (B.V.I.) Limited, all of the above principal subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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19. INTERESTS IN ASSOCIATES

	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets	**1,162,706**	1,019,405
Market value of listed shares	**390,390**	333,060

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of equity attributable to the Group 2009	2008	Principal activities
Y.T. Realty Group Limited	Bermuda	Ordinary shares of HK$0.1 each	**34.14**	34.14	Investment holding
Benefit Plus Company Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property investment
Best View Investments Hong Kong Company Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Property holding
E-Tech Services Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Provision of property technical consultant services
Harson Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property investment
Honway Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Investment holding
Mainland Sun Ltd.	British Virgin Islands/ Mainland China	Ordinary shares of US$1 each	**34.14**	34.14	Property investment
Score Goal Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property investment
Y.T. (China) Limited	Hong Kong/ Mainland China	Ordinary shares of HK$1 each	**34.14**	34.14	Investment holding

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19. INTERESTS IN ASSOCIATES *(continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of equity attributable to the Group 2009	2008	Principal activities
Y.T. Finance Limited	Hong Kong	Ordinary shares of HK$500 each	34.14	34.14	Finance vehicle
Y.T. Group Management Limited	Hong Kong	Ordinary shares of HK$1 each	34.14	34.14	Provision of business management services
Y.T. Investment Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	34.14	34.14	Investment holding
Y.T. Investment Management Limited	British Virgin Islands/ Mainland China	Ordinary shares of US$1 each	34.14	34.14	Securities investment
Y.T. Properties International Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	34.14	34.14	Investment holding
Y.T. Property Services Limited	Hong Kong	Ordinary shares of HK$1 each	34.14	34.14	Property management

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2009 *HK$'000*	2008 *HK$'000*
Assets	**4,154,562**	3,760,102
Liabilities	**749,185**	774,410
Revenue	**136,800**	124,344
Profit	**424,751**	170,781

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20. CONVERTIBLE NOTES RECEIVABLE

	Group	
	2009	2008
	HK$'000	*HK$'000*
Unlisted convertible notes:		
Loan portion	**6,013**	4,631
Conversion option derivative at fair value	**6,720**	4,858
	12,733	9,489

At 31 December 2009, the Group held unlisted convertible notes with an aggregate principal amount of HK$9,600,000 (2008: HK$9,600,000), which was issued by a company listed on the Stock Exchange. The convertible notes confer rights on the bearers to convert the whole or part of the outstanding principal amounts into ordinary shares of the issuer at the conversion price of HK$0.06 (the "Original Conversion Price") per share in the defined period. The Original Conversion Price was adjusted to HK$1.478 during the year as a result of the completion of a share consolidation and an issue of new convertible notes by the issuer. The convertible notes are non-interest-bearing and will mature in October 2011.

The convertible notes could be redeemed by the issuer at their face values before maturity to the extent of the amounts not previously converted by the holders.

The fair value of the loan portion of the convertible notes is determined based on an effective interest rate of 29.8% on initial recognition and the fair value of the conversion option derivative is determined using the Black-Scholes Model.

21. LOANS RECEIVABLE

	Group	
	2009	2008
	HK$'000	*HK$'000*
Unsecured:		
Non-current	**—**	1,000
Current	**1,000**	1,000
	1,000	2,000

The Group's loans receivable represent receivables arising from its money lending business and are stated at amortised cost at an effective interest rate equal to the Hong Kong dollar prime rate per annum. The credit terms are normally ranged from three months to two years. As the Group's loans receivable are not significant during the year, the directors of the Company are of the opinion that there is no significant credit risk.

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22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009 *HK$'000*	2008 *HK$'000*
Listed equity investment in Hong Kong, at fair value	917,805	495,767
Unlisted investment, at cost	13,768	20,427
Provision for impairment	(4,970)	(4,970)
	8,798	15,457
	926,603	511,224

Particulars of the Group's listed equity investment in Hong Kong at the end of the reporting period are as follows:

Name	Place of incorporation	Nominal value of issued and paid-up share capital	Percentage of ownership interest attributable to the Group	
			2009	2008
C C Land Holdings Limited	Bermuda	HK$257,263,000	9.88	11.85

During the year, the gross gain in respect of the Group's available-for-sale investments, which is stated at fair value, recognised in other comprehensive income amounted to HK$422,038,000 (2008: gross loss of HK$2,404,065,000).

The fair value of the Group's listed equity investment is based on a quoted market price. This investment has no maturity date or coupon rate.

The unlisted equity investment of the Group as at 31 December 2009 and 2008 was stated at cost less any impairment losses and not at fair value because it did not have a quoted market price in an active market, the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed.

The market value of the Group's listed equity investment at the date of approval of these financial statements was HK$833,906,000.

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23. LISTED EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	225,950	314,878
Elsewhere	83,101	62,652
	309,051	377,530

The fair values of the above investments were determined based on quoted prices in the market at the end of the reporting period.

The market value of the Group's listed equity investments at fair value through profit or loss at the date of approval of these financial statements was HK$311,401,000.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,577	1,892	804	786
Deposits	791	648	—	—
Other receivables	718	266	—	—
Prepaid land lease payments *(note 17)*	1,194	1,194	—	—
	4,280	4,000	804	786

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and two months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
Other payables	1,608	2,613	652	653
Accruals	20,119	19,048	15	15
Customers' deposits received	215	205	—	—
	21,942	21,866	667	668

Other payables are non-interest-bearing and repayable on demand.

27. INTEREST-BEARING BANK LOANS

Group	2009			2008		
	Effective interest rate (%)	Maturity	*HK$'000*	Effective interest rate (%)	Maturity	*HK$'000*
Current:						
Bank loans – secured	1.78	January 2010	60,000	3.76	January 2009	120,000

All the above bank loans are denominated in Hong Kong dollars and their carrying amounts as at 31 December 2009 and 2008 approximated to their fair values.

The above bank loans are secured by certain of the Group's investment properties, leasehold land and buildings and corporate guarantees provided by the Company *(note 33)*.

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28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2008	1,523	590	2,113
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	226	(148)	78
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009	1,749	442	2,191
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	132	(127)	5
Gross deferred tax liabilities at 31 December 2009	1,881	315	2,196

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits HK$'000
At 1 January 2008	485
Deferred tax charged to the income statement during the year *(note 11)*	(159)
Gross deferred tax assets at 31 December 2008 and 1 January 2009	326
Deferred tax charged to the income statement during the year *(note 11)*	(153)
Gross deferred tax assets at 31 December 2009	173

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28. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balance of the Group for financial reporting purposes:

	2009 *HK$'000*	2008 *HK$'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	**2,023**	1,865

The Group has tax losses arising in Hong Kong of HK$671,884,000 (2008: HK$643,667,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

Shares

	2009 *HK$'000*	2008 *HK$'000*
Authorised:		
50,000,000,000 (2008: 50,000,000,000) ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
9,305,276,756 (2008: 9,305,276,756) ordinary shares of HK$0.01 each	**93,053**	93,053

Share options

The Company adopted a share option scheme (the "Scheme") at the special general meeting held on 29 April 2005. Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 930,527,675 shares will be available for issue under the Scheme, which represented 10% of the Company's issued share capital at the end of the reporting period. Each participant cannot be entitled more than 1% of the total number of shares in issue in any 12-month period. The option shall end, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 28 April 2015. No option has been granted under the Scheme since the adoption of the Scheme.

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30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	907,280	839,108	8,779	1,755,167
Total comprehensive loss for the year	—	—	(5,315)	(5,315)
At 31 December 2008 and at 1 January 2009	907,280	839,108	3,464	1,749,852
Total comprehensive income for the year	—	—	25,593	25,593
At 31 December 2009	**907,280**	**839,108**	**29,057**	**1,775,445**

The contributed surplus of the Company originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under The Companies Act 1981 of Bermuda (as amended from time to time), the contributed surplus may be distributed to shareholders under certain circumstances.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties *(note 16)* under operating lease arrangements, with leases negotiated for terms of two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
Within one year	**594**	767
In the second to fifth years, inclusive	**726**	553
	1,320	1,320

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31. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties, a residential premise and a car park under operating lease arrangements. The leases for the office properties are negotiated for terms from three months to two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**894**	1,246
In the second to fifth years, inclusive	**—**	655
	894	1,901

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following commitments in respect of the purchases of property and equipment at the end of the reporting period:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Contracted, but not provided for	**2,277**	—

At the end of the reporting period, the Company did not have any significant commitments.

33. BANKING FACILITIES

At the end of the reporting period, the Group's banking facilities were secured by:

(a) a pledge of the Group's time deposits of HK$9,341,000 (2008: HK$9,330,000);

(b) a pledge of the Group's investment properties and certain leasehold land and buildings with an aggregate carrying value of HK$61,601,000 (2008: HK$61,820,000); and

(c) corporate guarantees issued by the Company.

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34. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2009	2008
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**518,080**	518,080

At 31 December 2009, the banking facilities granted to the subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of HK$60,000,000 (2008: HK$120,000,000).

35. RELATED PARTY TRANSACTIONS

(a) During the prior year, the Group had the following transaction with a related party:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Rental expenses for office premises paid to a substantial shareholder	**—**	581

The rental expenses were charged at cost, based on the floor area occupied by the Group in respect of the office premises rented by Chongqing Industrial Limited ("Chongqing Industrial") from an independent third party. Mr. Cheung Chung Kiu ("Mr. Cheung"), a director and a substantial shareholder of the Company, has a beneficial interest in Chongqing Industrial.

(b) Compensation of key management personnel of the Group:

	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**23,045**	21,255
Post-employment benefits	**60**	60
Long term employee benefits	**135**	90
Total compensation paid to key management personnel	**23,240**	21,405

Further details of directors' emoluments are included in note 9.

The related party transaction in respect of item (a) above also constitutes a connected transaction under the Listing Rules.

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36. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
An available-for-sale equity investment	917,805	—	—	917,805
Listed equity investments at fair value through profit or loss	309,051	—	—	309,051
Conversion option derivative	—	6,720	—	6,720
	1,226,856	6,720	—	1,233,576

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, include equity investments, investments in convertible notes, loans receivable, bank loans, short term deposits and cash and cash equivalents. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The policies for managing each of these risks are summarised below.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations and receivables.

The Group receives interest income principally from its portfolio of loans receivable and short term bank deposits with an aggregate amount of approximately HK$142 million (2008: HK$101 million) as at 31 December 2009. Assuming that the balances are held at a constant level and there is an average increase of 25 (2008: decrease of 25) basis points interest rate for the year ended 31 December 2009, the interest income of the Group will be increased by HK$0.4 million (2008: decreased by HK$0.3 million).

Foreign currency risk

The Group has transactional currency exposure as about 12% (2008: 13%) of the operating expenses for the year were denominated in United States dollars.

The Group has translational currency exposure because 34% (2008: 61%) of the cash and bank balances were denominated in United States dollars and 27% (2008: 17%) of the listed equity investments at fair value through profit or loss were denominated in Singapore dollars.

The Group considers that the above currency exposures are insignificant as the United States dollar is pegged to the Hong Kong dollar and the listed equity investments at fair value through profit or loss denominated in Singapore dollars only represented approximately 3.3% (2008: 3.2%) of the Group's net assets. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar exchange rate, with all other variables held constant, of the Group's profit/loss before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in Singapore dollar exchange rate %	Increase/ (decrease) in profit/loss before tax *HK$'000*
2009		
If Hong Kong dollar weakens against Singapore dollar	**5.0%**	**4,155**
If Hong Kong dollar strengthens against Singapore dollar	**(5.0%)**	**(4,155)**
2008		
If Hong Kong dollar weakens against Singapore dollar	5.0%	(3,133)
If Hong Kong dollar strengthens against Singapore dollar	(5.0%)	3,133

Notes to Financial Statements

31 December 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivables are monitored on an ongoing basis to ensure follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has established a credit committee (the "Committee") to manage the credit risk with respect to the loans receivable of the Group. The Committee reviews the credit standing and assesses credit risk exposures of each borrower. In order to mitigate this risk, the Group has formulated a credit policy governing the control of credit risk. In this regard, the directors consider that the credit risk is significantly reduced and controlled.

Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from equity investments at fair value through profit or loss and available-for-sale investments. The Group's listed investments are listed on either the Stock Exchange or the stock exchange of Singapore, and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2009	High/low 2009	31 December 2008	High/low 2008
Hong Kong - Hang Seng Index	21,873	23,100	14,387	27,853
		11,345		10,676
Singapore - Straits Times Index	2,898	2,898	1,762	3,475
		1,455		1,474

The following table demonstrates the sensitivity to change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

The sensitivity analysis is made based on a reasonably possible 15% decrease in Hang Seng Index of Hong Kong (2008: 25%) and 15% decrease in Straits Times Index of Singapore (2008: 22%) anticipated as at the end of the reporting period and an estimated value of beta of the investment portfolios of the Group.

Notes to Financial Statements

31 December 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Price risk *(continued)*

	Carrying amount of listed equity investments *HK$'000*	Decrease in profit before tax *HK$'000*	Decrease in other components of equity *HK$'000*
2009			
Listed equity investments at fair value through profit or loss listed in:			
Hong Kong	225,950	(55,733)	—
Singapore	83,101	(17,351)	—
Available-for-sale investment listed in Hong Kong	917,805	—	(321,737)
Total		(73,084)	(321,737)
2008			
Listed equity investments at fair value through profit or loss listed in:			
Hong Kong	314,878	(69,179)	—
Singapore	62,652	(18,688)	—
Available-for-sale investment listed in Hong Kong	495,767	—	(229,813)
Total		(87,867)	(229,813)

The Group's management manages the above exposure by maintaining a well-diversified portfolio with different risk profiles.

Notes to Financial Statements

31 December 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

		2009	
	On demand	Less than 3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Other payables	1,608	—	1,608
Interest-bearing bank loans	—	60,000	60,000
	1,608	60,000	61,608

		2008	
	On demand	Less than 3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Other payables	2,613	—	2,613
Interest-bearing bank loans	—	120,087	120,087
	2,613	120,087	122,700

Company

All of the Company's financial liabilities as at the end of the reporting period are repayable on demand.

Notes to Financial Statements

31 December 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity holders of the Company. Net debt includes interest-bearing bank loans, other payables and accrued expenses, less cash and cash equivalents. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2009 *HK$'000*	2008 *HK$'000*
Interest-bearing bank loans	**60,000**	120,000
Other payables and accruals	**21,942**	21,866
Less: Cash and cash equivalents	**(131,784)**	(89,731)
Net debt	**(49,842)**	52,135
Equity attributable to equity holders of the Company	**2,538,520**	1,944,080
Gearing ratio	**N/A**	2.7%

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 26 March 2010.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**105,006**	(219,185)	107,819	122,847	(11,098)
PROFIT/(LOSS) BEFORE TAX	**168,811**	(726,678)	287,694	289,976	(46,649)
Tax	**(158)**	3,012	(22,412)	(20,172)	(741)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**168,653**	(723,666)	265,282	269,804	(47,390)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**—**	—	—	539,340	37,247
PROFIT/(LOSS) FOR THE YEAR	**168,653**	(723,666)	265,282	809,144	(10,143)
Attributable to:					
Equity holders of the Company	**168,653**	(723,666)	265,282	780,923	(26,579)
Minority interests	**—**	—	—	28,221	16,436
	168,653	(723,666)	265,282	809,144	(10,143)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property and equipment	**13,457**	12,076	18,651	16,389	134,054
Prepaid land lease payments	**62,633**	63,925	96,943	72,934	143,564
Interests in associates	**1,162,706**	1,019,405	1,019,915	899,310	839,451
Available-for-sale investments	**926,603**	511,224	2,916,046	1,271,198	20,000
Other non-current assets	**24,373**	23,191	28,660	72,476	168,047
Current assets	**462,176**	486,449	1,076,755	1,054,697	1,292,381
Current liabilities	**(111,405)**	(170,325)	(57,236)	(168,779)	(246,002)
Net current assets	**350,771**	316,124	1,019,519	885,918	1,046,379
Non-current liabilities	**(2,023)**	(1,865)	(1,628)	(977)	(58,171)
Minority interests	**—**	—	—	—	(209,306)
Equity attributable to equity holders of the Company	**2,538,520**	1,944,080	5,098,106	3,217,248	2,084,018