WINSOR PROPERTIES HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

南聯地產控股有限公司

開曼群島註冊成立之有限公司

Stock Code 股份代號：1036

ANNUAL REPORT 2010

Contents

Corporate Information

BOARD OF DIRECTORS

CHENG Wai Chee, Christopher, GBS, JP ☆Δ *Chairman*
CHOW Wai Wai, John *Managing Director*
Lord SANDBERG, CBE ★
Christopher Patrick LANGLEY, OBE ★
LO Ka Shui, GBS, JP ★
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP ★
CHENG Wai Sun, Edward, SBS, JP ☆Δ
CHEN CHOU Mei Mei, Vivien
CHUNG Hon Sing, John
AU Hing Lun, Dennis

★ *Independent Non-Executive Director*
☆ *Non-Executive Director*
Δ *Alternate: FUNG Ching Man, Janet*

AUDIT COMMITTEE

Christopher Patrick LANGLEY, OBE *Chairman*
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP
CHENG Wai Chee, Christopher, GBS, JP ▲

▲ *Alternate: FUNG Ching Man, Janet*

REMUNERATION COMMITTEE

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP *Chairman*
Christopher Patrick LANGLEY, OBE
CHOW Wai Wai, John

NOMINATION COMMITTEE

LO Ka Shui, GBS, JP *Chairman*
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP ^
CHENG Wai Chee, Christopher, GBS, JP

^ *Alternate: Christopher Patrick LANGLEY, OBE*

CHIEF FINANCIAL OFFICER

LUK Chi Chung, Peter

COMPANY SECRETARY

AU Shiu Kee

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Knight & Ho

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

P. O. Box 309, Ugland House, South Church Street,
George Town, Grand Cayman, Cayman Islands.

PRINCIPAL PLACE OF BUSINESS

8th Floor, One Landmark East,
100 How Ming Street, Kwun Tong, Kowloon, Hong Kong.
Telephone: (852) 3658 1888
Fax: (852) 2810 1199
Website: http://www.winsorprop.com

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited,
Shops No. 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong.
Telephone: (852) 2862 8555
Fax: (852) 2865 0990/2829 6087
Website: http://www.computershare.com.hk

Directors' Profile

EXECUTIVE DIRECTORS

Mr. CHOW Wai Wai, John, aged 61, was appointed Director of the Company in October 1996 and appointed Managing Director of the Company in August 2001. Mr. Chow is also a member of the Remuneration Committee of the Board of Directors and a director of certain subsidiaries of the Company. Mr. Chow is an executive director of Wing Tai Properties Limited (formerly known as USI Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). Mr. Chow is a non-executive director of Dah Sing Financial Holdings Limited and ARA Trust Management (Suntec) Limited (manager of the Singapore-listed Suntec Real Estate Investment Trust) and the Managing Director of Winsor Industrial Corporation, Limited (a company delisted in Hong Kong). Mr. Chow graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. Mr. Chow has over 30 years of experience in the property, textile and clothing businesses, and has served as Chairman of the Hong Kong Garment Manufacturers Association and a member of the Textile Advisory Board of the Hong Kong Government.

Mrs. CHEN CHOU Mei Mei, Vivien, aged 61, was appointed Director of the Company in October 1996 and is also a director of certain subsidiaries of the Company. Mrs. Chen graduated with a Bachelor of Arts degree from the University of Colorado in the US and has over 30 years' experience in investments, in particular, property related investments. Mrs. Chen is an independent non-executive director of Emcom International Limited, a non-executive director of Agritrade Resources Limited (formerly known as Kwong Hing International Holdings (Bermuda) Limited) and also a director of a number of companies in Hong Kong and abroad.

Mr. CHUNG Hon Sing, John, aged 70, was appointed Director of the Company in October 1996 and is also a director of certain subsidiaries of the Company. Mr. Chung graduated from The University of Hong Kong with a Bachelor of Arts degree and later from the Michigan State University in the US with a Master degree in Business Administration. Mr. Chung has been involved in property development in both Hong Kong and Mainland China since the 1970's.

Mr. AU Hing Lun, Dennis, aged 51, was appointed alternate to Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward in December 1998 and December 1999 respectively. Mr. Au ceased to act as alternate to Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward upon his appointment as Executive Director of the Company in October 2007. Mr. Au is an executive director of Wing Tai Properties Limited (formerly known as USI Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance) and the Managing Director of the Property Division of Wing Tai Properties Limited. Mr. Au is also responsible for the corporate finance function of Wing Tai Properties Limited. Mr. Au holds a Master of Business Administration degree and a Bachelor of Science degree. He is also a fellow member of the Association of Chartered Certified Accountants.

NON-EXECUTIVE DIRECTORS

Dr. CHENG Wai Chee, Christopher, GBS, JP, aged 62, was appointed Non-Executive Director of the Company in May 1997 and appointed Chairman in August 2001. Dr. Cheng is also a member of the Audit Committee and the Nomination Committee of the Board of Directors of the Company. Dr. Cheng is the Chairman of Wing Tai Properties Limited (formerly known as USI Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance) and an independent non-executive director of several listed and unlisted companies including NWS Holdings Limited, New World China Land Limited, DBS Group Holdings Limited, Kingboard Chemical Holdings Limited and Temasek Foundation CLG Limited. Dr. Cheng currently serves as a member of the Exchange Fund Advisory Committee. Dr. Cheng is a former Chairman of the Hong Kong General Chamber of Commerce. Dr. Cheng is also a Steward of the Hong Kong Jockey Club and a board member of Overseers of Columbia Business School. Dr. Cheng holds a BBA degree from the University of Notre Dame, Indiana, USA, a MBA degree from Columbia University, New York, and an Honorary Doctorate in Social Sciences from The University of Hong Kong. Dr. Cheng is a brother of Mr. Cheng Wai Sun, Edward.

NON-EXECUTIVE DIRECTORS *(continued)*

Mr. CHENG Wai Sun, Edward, SBS, JP, aged 55, was appointed Non-Executive Director of the Company in December 1999. Mr. Cheng is the Deputy Chairman and Chief Executive of Wing Tai Properties Limited (formerly known as USI Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). He is also an independent non-executive director of Television Broadcasts Limited and Orient Overseas (International) Limited. Mr. Cheng has a master degree from Oxford University. Mr. Cheng was qualified as a solicitor in England and Wales as well as in Hong Kong. Mr. Cheng has many years of public service experience in urban renewal, finance, housing, corruption prevention, technology and education. Mr. Cheng is currently a member of the University Grants Committee. Mr. Cheng is a Justice of the Peace, and has been awarded the Silver Bauhinia Star by the Hong Kong SAR Government. Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher.

Ms. FUNG Ching Man, Janet, aged 48, was appointed the alternate to Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward in October 2007. Ms. Fung is the Chief Financial Officer and Company Secretary of Wing Tai Properties Limited (formerly known as USI Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). Ms. Fung is a fellow member of the Association of Chartered Certified Accountants (UK) and the Hong Kong Institute of Certified Public Accountants, and a member of CPA Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lord SANDBERG, CBE, aged 83, was appointed Independent Non-Executive Director of the Company in October 1996. Lord Sandberg is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited and has served as a member of the Executive Council of the Hong Kong Government and on various public bodies in Hong Kong. He is an independent non-executive director of Winsor Industrial Corporation, Limited (a company delisted in Hong Kong) and a former non-executive director of New World Development Company Limited. Lord Sandberg also holds directorships in a number of listed and public companies in Hong Kong.

Mr. Christopher Patrick LANGLEY, OBE, aged 66, was appointed Independent Non-Executive Director of the Company in October 1996. Mr. Langley is also the Chairman of the Audit Committee and a member of the Remuneration Committee and an alternate member of the Nomination Committee of the Board of Directors of the Company. Mr. Langley is an independent non-executive director of Techtronic Industries Co. Ltd. and Dickson Concepts (International) Ltd. and a non-executive director of Lei Shing Hong Limited (a company delisted in Hong Kong). Mr. Langley is a former executive director of The Hongkong and Shanghai Banking Corporation Limited.

Dr. LO Ka Shui, GBS, JP, aged 64, was appointed Independent Non-Executive Director of the Company in January 2003. Dr. Lo is also the Chairman of the Nomination Committee of the Board of Directors of the Company. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the non-executive Chairman of Eagle Asset Management (CP) Limited (manager of the publicly listed Champion Real Estate Investment Trust). He is also a non-executive director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. Dr. Lo is the Chairman of the Chamber of Hong Kong Listed Companies, a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a board member of the Hong Kong Airport Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP, aged 67, was appointed Independent Non-Executive Director of the Company in May 2005. Mr. Barma is also the Chairman of the Remuneration Committee, a member of the Nomination Committee and Audit Committee of the Board of Directors of the Company. Mr. Barma graduated with a Bachelor of Arts degree from The University of Hong Kong and worked in the Government of Hong Kong for 30 years. After retiring from the civil service in 1996, Mr. Barma has served as Chairman of the Public Service Commission from August 1996 to April 2005 and he is now the Chief Executive Officer of The Hong Kong Research Institute of Textiles and Apparel.

Chairman's Statement

BUSINESS REVIEW

The Group's revenue for the year ended 31 December 2010 was HK$404 million (2009: HK$290 million). The increase was mainly due to new lettings in Landmark East.

The Group's profit attributable to shareholders for the year ended 31 December 2010 was HK$2,460 million (2009 (Restated): HK$485 million). Excluding the change in fair value of investment properties net of non-controlling interests and change in fair value of derivative financial instruments, the Group's underlying profit was HK$646 million (2009 (Restated): HK$85 million). The increase was mainly due to gains on disposals of investment properties and share of profits in associates during the year.

Rental and property management

Review of operations

The Group's rental and property management businesses recorded revenue of HK$390 million (2009: HK$276 million). Excluding the change in fair value of investment properties and gains on disposals of investment properties, the segment profit was HK$287 million (2009: HK$171 million).

Office spaces in Hong Kong have been in strong demand as a result of the limited supply of Grade A office properties in core business districts and the upgrading and expansion requirements of tenants. Benefiting from these, there was a quick absorption in the available office spaces in Landmark East. The committed lease take-up in Landmark East has now reached 91% as at the date hereof. W Square was 93% leased as at 31 December 2010. These two properties in aggregate contributed revenue of HK$218 million for the year (2009: HK$101 million).

Revenue from the Group's industrial properties was HK$168 million for the year (2009: HK$170 million), which included revenue of HK$44 million (2009: HK$47 million) from the properties being disposed of. Overall occupancy of the Group's industrial properties, being Regent Centre, Winner Godown Building and Shui Hing Centre, was 92% as at 31 December 2010. There was a pick up of leasing activities for the Group's industrial properties in the second half of the year. It is expected that the leasing momentum will continue at the back of continued economic growth.

Acquisition and disposals of industrial properties

In June 2010, the Group entered into agreements to dispose of Unimix Industrial Centre and Lucky Industrial Building for an aggregate consideration of HK$949 million, the completion of which took place in November and December 2010 respectively. The disposals resulted in net gains of HK$146 million and net cash inflows to the Group of HK$596 million, after repayment of bank loans and expenses. The Group considered that the disposals represented opportunities for the Group to realise its long-term investments at attractive return. It is the intention of the Group to apply the cash proceeds for replenishment of the Group's property portfolio with high-grade investment properties at an appropriate time.

In September 2010, the Group entered into an agreement to acquire a whole floor in Regent Centre for a cash consideration of HK$31.7 million, completion of which is to take place in September 2011. The property is to be held for long-term investment purpose. In December 2010, the Group disposed of certain units in Regent Centre on already strata-titled floors for an aggregate consideration of HK$10 million, resulting in a net gain of HK$0.5 million during the year. The acquisition and disposals is part of the Group's strategy to upgrade its portfolio holding in Regent Centre, which units have been held on a long-term basis for recurrent rental income purpose.

Valuation of investment properties

The Group's investment properties, including the agricultural lots held by the Group, were fair valued at HK$10,228 million as at 31 December 2010. The fair value gain net of non-controlling interests was HK$1,797 million for the year (2009: HK$337 million).

BUSINESS REVIEW *(continued)*

Warehousing

The Group operates a warehousing business in Hong Kong through Winner Godown Limited ("Winner Godown"), a 70%-owned subsidiary. During the year, the Group diversified into wine storage with an initial capital outlay of HK$5 million, principally for installation of air-conditioning and insulation. The business is operated by Winsor Storage Limited, a wholly-owned subsidiary of the Company. Installation was completed in October 2010 and leasing is on-going.

These businesses in aggregate recorded revenue of HK$13 million (2009: HK$14 million) and a segment profit of HK$0.3 million (2009: HK$1.5 million) for the year. The drop in revenue and profit was mainly due to reduced storage from one of the major customers of Winner Godown.

The Group's cold storage business in Mainland China is operated through China Merchants International Cold Chain (Shenzhen) Company Limited ("CMCC"). CMCC is beneficially owned by the Group and China Merchants Americold Holdings Company Limited in the proportion of 30%:70%. CMCC reported turnover of RMB19 million (2009: RMB17 million) and a net loss of RMB3 million (2009: net profit of RMB0.2 million) for the year. During the year, CMCC leased a new warehouse in the Qianhaiwan Bonded Port Zone and converted it for bonded cold storage purpose. Revenue from this business was behind budget, as there were unforeseen problems encountered at the operation stage. CMCC is putting up efforts to turn around the profitability of this business.

Investment

The Group's investment activities recorded a segment profit of HK$31 million (2009: HK$34 million). Profit from this segment comprised mainly dividend income and amortised income from held-to-maturity investments.

The Group's investments comprised mainly available-for-sale financial assets in Singapore. The available-for-sale financial assets were fair valued at HK$431 million as at 31 December 2010. The increase in fair value of HK$83 million (2009: HK$145 million) was taken up in "Investment Revaluation Reserve" in equity during the year.

Finance income and finance costs

Net finance costs amounted to HK$73 million in the year (2009: HK$64 million). The increase was mainly due to interest expenses on bank loans raised and/or refinanced in prior year.

The Group held interest rate swap contracts (the "IRS Contracts") to hedge its interest rate exposure. The outstanding notional principal amount of the IRS Contracts was HK$1,000 million as at 31 December 2010. As a result of the low interest rate environment, the IRS Contracts were fair valued at a loss of HK$114 million as at 31 December 2010. The decrease in fair value of the hedged portion of HK$64 million (2009: HK$57 million) was taken up in "Hedging Reserve" in equity during the year.

Share of profits less losses of associated companies

The Group's share of net profit in associated companies amounted to HK$300 million in the year (2009: net loss of HK$3 million). The increase was mainly due to recognition of profit for units sold in Forfar and Belle Vue Residences when both projects obtained their occupation permits during the year.

Taxation

Taxation charge for the year of HK$23 million comprised mainly provision for Hong Kong profits tax of HK$29 million (2009: HK$15 million), deferred taxation charge of HK$7 million (2009: HK$75 million) arising from accelerated depreciation, net of deferred tax credit of HK$13 million (2009: HK$60 million) on recognition of tax losses.

PROJECT PROGRESS

Forfar, Hong Kong

The Group has a 20% interest in Forfar, which is a luxury residential project in Hong Kong co-developed with Wing Tai Properties Limited ("Wing Tai Properties"). The project, with a total saleable area of about 108,000 square feet, was launched for pre-sale in July 2009. Occupation permit and certificate of compliance for the project were obtained in January and August 2010, respectively. Over 60% of the units were sold as at 31 December 2010.

Belle Vue Residences, Singapore

The Group has a 30% interest in Belle Vue Residences, which is a luxury residential development in Singapore co-developed with Wing Tai Holdings Limited and an independent third party. The project, with a total saleable area of about 433,000 square feet, was launched for pre-sale in late 2008. Occupation permit and certificate of statutory completion for the project were obtained in May and October 2010, respectively. Over 70% of the units were sold as at 31 December 2010.

EMPLOYEES

The Group employed 241 employees as at 31 December 2010. The Group aligns its remuneration and benefit packages with pay levels and practices prevailing in the market and recognises individual responsibility and performances. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

FINANCIAL REVIEW

The Group's financing and treasury operations are centrally managed and controlled.

Gearing

The Group's shareholders' equity as at 31 December 2010 was HK$9,443 million (2009 (Restated): HK$7,000 million). The increase was mainly due to the profit attributable to shareholders for the year of HK$2,460 million. The Group's total equity, including non-controlling interests, was HK$9,474 million as at 31 December 2010 (2009 (Restated): HK$7,026 million).

The Group's total bank borrowings as at 31 December 2010 were HK$2,057 million (2009: HK$2,633 million). After deducting the bank balances and cash of HK$595 million (2009: HK$172 million), the Group's net borrowings as at 31 December 2010 were HK$1,462 million (2009: HK$2,461 million).

The gearing ratio of the Group was 15% as at 31 December 2010 (2009 (Restated): 35%), calculated based on the net borrowings of HK$1,462 million and total equity of HK$9,474 million. The Group is in a strong financial position following disposals of the two industrial buildings and the leasing of Landmark East towards full occupancy. With ample unutilised banking facilities, the Group has sufficient financial resources for its operation needs.

FINANCIAL REVIEW *(continued)*

Liquidity and debt maturity profile

The maturity profile of the Group's bank borrowings as at 31 December 2010 and 2009 is set out as below.

	At 31 December 2010		At 31 December 2009	
	HK$ million	**%**	HK$ million (Restated)	% (Restated)
Within one year	**136**	**7**	357	14
In the second year	**283**	**14**	161	6
In the third to fifth years inclusive	**1,638**	**79**	2,115	80
	2,057	**100**	2,633	100

Treasury policies

The Group principally operates in Hong Kong and, as a result, has minimal exposure to exchange rate fluctuation. The Group has certain investments in associated companies and financial assets which are denominated in Singapore Dollars and Renminbi. No forward exchange contracts have been entered to hedge for these foreign currency assets, which exposure will continue to be monitored by the Group and, if considered appropriate, hedged to the extent desirable. The Group's bank borrowings are denominated in Hong Kong Dollars and match with the underlying securities.

The Group manages its interest rate exposure closely. In previous years, the Group entered into the IRS Contracts to hedge its floating interest rate exposure. The purpose of the IRS Contracts was to maintain a balanced portfolio of fixed and floating rate debts so that the Group could guard against any unexpected interest rate hikes. The Group had outstanding IRS Contracts in the notional amount totaling HK$1,000 million as at 31 December 2010. Against total bank borrowings of HK$2,057 million which were all on a floating rate basis, the IRS Contracts converted about 49% of the Group's total bank borrowings at year end into fixed rate debts.

Capital commitments

The Group had no significant capital commitments as at 31 December 2010.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2010.

Pledge of assets

Certain of the Group's assets with a carrying value of HK$10,354 million as at 31 December 2010 were pledged to secure banking facilities of the Group.

OUTLOOK

The outlook for the property market in Hong Kong remains encouraging, supported by a strong economy and solid fundamentals including a low interest rate environment, strong demand from businesses for office space, and limited supply.

The Group's investment portfolio will benefit from the current momentum in the local leasing market with growth in occupancy take up and rental, which will contribute to the Group's recurring income and cash flows. We are confident that in 2011 Landmark East will sustain over 90% occupancy with a significant growth in rental rate for new leases. We also expect positive rental reversion at the Group's other properties.

OUTLOOK *(continued)*

On property development, the launches of the remaining units at Forfar and Belle Vue Residences amidst favourable market conditions in Hong Kong and Singapore will contribute further to the Group's profit and cash flows in 2011.

All in all, we are confident that our investment property portfolio will continue to bring in steady and growing recurring income. Our financial strength should thus be further strengthened, enabling us to enhance and expand our portfolio by replenishing it with quality investment properties when opportunities arise.

SPECIAL DIVIDEND

In view of the promising results of the Group for the year ended 31 December 2010, the Directors declared a special dividend of HK$1 per share (2009: Nil) to the shareholders whose names appear on the Register of Members of the Company on 18 April 2011. The special dividend will be payable to the shareholders on 28 April 2011.

The Register of Members and the Transfer Books of the Company will be closed from Friday, 15 April 2011 to Monday, 18 April 2011, both days inclusive. In order to qualify for the special dividend for the year ended 31 December 2010, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars and Transfer Office, Computershare Hong Kong Investor Services Limited ("Computershare"), Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 14 April 2011.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.42 per share (2009: HK$0.38 per share) to the shareholders whose names appear on the Register of Members of the Company on 24 May 2011. Together with the interim dividend of HK$0.16 per share (2009: HK$0.12 per share) paid on 14 October 2010, total regular dividend payout for the year will be HK$0.58 per share (2009: HK$0.50 per share). Subject to the passing of the relevant resolution at the forthcoming Annual General Meeting, the final dividend will be payable to the shareholders on 10 June 2011.

The Register of Members and the Transfer Books of the Company will be closed from Monday, 23 May 2011 to Tuesday, 24 May 2011, both days inclusive. In order to qualify for the final dividend for the year ended 31 December 2010, all transfers accompanied by the relevant share certificates must be lodged with Computershare, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2011.

TRIBUTES

Lord Sandberg has served as an Independent Non-Executive Director of the Company and Mr. Chung Hon Sing, John has served as an Executive Director of the Company since October 1996. Lord Sandberg and Mr. Chung will both retire at the forthcoming Annual General Meeting to be held on 24 May 2011. The Board is most grateful to Lord Sandberg and Mr. Chung for their valuable services and wise counsel, and wishes both of them happy retirement.

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 30 March 2011

Report of the Directors

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The names, particulars and principal activities of its subsidiaries and associated companies are set out on pages 90 to 92.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 30.

An interim dividend of HK$0.16 per share (2009: HK$0.12 per share) totalling HK$41,550,000 (2009: HK$31,162,000) was paid on 14 October 2010.

During the board meeting on 30 March 2011, the Directors

(i) declared a special dividend of HK$1 per share (2009: Nil) totalling HK$259,685,000 (2009: Nil), which is payable on 28 April 2011; and

(ii) recommended a final dividend of HK$0.42 per share (2009: HK$0.38 per share) totalling HK$109,068,000 (2009: HK$98,680,000), which will be payable on 10 June 2011 if approved by the shareholders at the annual general meeting of the Company to be held on 24 May 2011.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 December 2010 amounted to HK$3,247,571,000 (2009: HK$2,996,529,000).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$20,000 (2009: HK$10,000).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

PARTICULARS OF PROPERTIES

Particulars of the properties held by the Group are set out on page 93.

MANAGEMENT CONTRACTS

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

DIRECTORS

The Board of Directors as now constituted is listed on page 2. The brief biographical details of the Directors are set out on pages 3 to 4.

Lord Sandberg, Mr. Haider Hatam Tyebjee Barma, Mrs. Chen Chou Mei Mei, Vivien and Mr. Cheng Wai Sun, Edward retired by rotation and were re-elected as Directors at the Annual General Meeting of the Company held on 13 May 2010.

Mr. Chow Wai Wai, John, Mr. Christopher Patrick Langley, Mr. Chung Hon Sing, John and Mr. Au Hing Lun, Dennis shall retire by rotation under the provisions of Article 116 of the Company's Articles of Association at the forthcoming Annual General Meeting and are eligible for re-election. Mr. Chow Wai Wai, John, Mr. Christopher Patrick Langley and Mr. Au Hing Lun, Dennis offer themselves for re-election at the forthcoming Annual General Meeting. Due to personal reasons, Mr. Chung Hon Sing, John does not offer himself for re-election.

Lord Sandberg, owing to personal reasons, will also retire from the Board at the forthcoming Annual General Meeting.

None of the Directors has a service contract with the Company.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

The interests of the Directors as at 31 December 2010 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interests in the Company

	Number of ordinary shares held					
Name of Director	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporations	Other interests	Total interests	Percentage of issued share capital
Dr. Cheng Wai Chee, Christopher	—	27,000	—	205,835,845 *(Note 2)*	205,862,845	79.27%
Mr. Chow Wai Wai, John	2,713,000	—	—	—	2,713,000	1.04%
Mr. Cheng Wai Sun, Edward	—	—	—	205,835,845 *(Note 2)*	205,835,845	79.26%
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000	0.03%

Notes:

1. *The total number of ordinary shares of the Company in issue as at 31 December 2010 was 259,685,288.*

2. *For the purpose of Part XV of the SFO, Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward being beneficiaries of a family trust, were deemed to be interested in (i) 148,944,458 shares of the Company held by Wing Tai Properties, (ii) 42,991,387 shares of the Company held through Twin Dragon Investments Limited, a wholly-owned subsidiary of Wing Tai Properties and (iii) 13,900,000 shares of the Company which are subject to a put option granted by Wing Tai Properties to Standard Chartered Bank. These interests represented the same interests and were therefore duplicated amongst these two Directors.*

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

(b) Interests in an associated corporation, Wing Tai Properties

	Number of ordinary shares held						
Name of Director	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporations	Other interests	Number of underlying shares held under equity derivatives *(Note 5)*	Total interests	Percentage of issued share capital
Dr. Cheng Wai Chee, Christopher	5,240,829	—	197,918,780 *(Note 2)*	462,488,185 *(Note 3)*	2,548,737	668,196,531	50.51%
Mr. Chow Wai Wai, John	200,002	—	—	—	—	200,002	0.02%
Mr. Cheng Wai Sun, Edward	5,139,497	—	—	462,488,185 *(Note 3)*	2,548,737	470,176,419	35.54%
Mr. Au Hing Lun, Dennis	1,327,912	—	—	—	1,211,085	2,538,997	0.19%
Ms. Fung Ching Man, Janet *(Note 4)*	171,775	—	—	—	573,443	745,218	0.06%

Notes:

1. *The total number of ordinary shares of Wing Tai Properties in issue as at 31 December 2010 was 1,322,936,463.*

2. *As at 31 December 2010, Dr. Cheng Wai Chee, Christopher was deemed to be interested in 197,918,780 ordinary shares of Wing Tai Properties beneficially owned by Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited by virtue of his corporate interests in these companies through Wing Tai (Cheng) Holdings Limited, Renowned Development Limited and Wing Tai Corporation Limited. Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited were the beneficial owners of 91,663,995, 88,930,828 and 17,323,957 ordinary shares of Wing Tai Properties respectively.*

3. *As at 31 December 2010, Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward were beneficiaries of a family trust whose assets included indirect interests in 462,488,185 ordinary shares of Wing Tai Properties. These interests represented the same interests and were therefore duplicated amongst these two Directors.*

4. *Alternate Director to Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward respectively.*

5. *These represented interests in shares options or incentive shares granted by Wing Tai Properties to its directors and employees as beneficial owners, details of which are set out in the section headed "Underlying shares in Wing Tai Properties".*

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

(c) Underlying shares in Wing Tai Properties

Pursuant to a share option scheme of Wing Tai Properties adopted on 10 June 2003 (the "Wing Tai Properties Share Option Scheme"), the board of directors of Wing Tai Properties may in its absolute discretion grant options to directors and employees of Wing Tai Properties and its subsidiaries (the "Wing Tai Properties Group") to subscribe for shares of Wing Tai Properties at an exercise price to be determined by the directors of Wing Tai Properties in accordance with the rules of the scheme.

Pursuant to a share incentive scheme of Wing Tai Properties adopted on 17 June 2005 (the "Wing Tai Properties Share Incentive Scheme"), the board of directors of Wing Tai Properties or a duly authorised committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of the Wing Tai Properties Group to subscribe in cash at par for shares of Wing Tai Properties.

There were no outstanding options granted to the Directors as at 31 December 2010 under the Wing Tai Properties Share Option Scheme. Details of the outstanding incentive shares awarded to the Directors under the Wing Tai Properties Share Incentive Scheme are as follows:

Name of Director	Exercise period	Number of incentive shares as at 31/12/2010
Dr. Cheng Wai Chee, Christopher	30.1.2011 to 8.7.2018	206,358
	20.1.2011 to 15.6.2019	426,126
	20.1.2012 to 15.6.2019	852,253
	19.1.2011 to 25.6.2020	266,000
	19.1.2012 to 25.6.2020	266,000
	19.1.2013 to 25.6.2020	532,000
		2,548,737
Mr. Cheng Wai Sun, Edward	30.1.2011 to 8.7.2018	206,358
	20.1.2011 to 15.6.2019	426,126
	20.1.2012 to 15.6.2019	852,253
	19.1.2011 to 25.6.2020	266,000
	19.1.2012 to 25.6.2020	266,000
	19.1.2013 to 25.6.2020	532,000
		2,548,737

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

(c) Underlying shares in Wing Tai Properties *(continued)*

Name of Director	Exercise period	Number of incentive shares as at 31/12/2010
Mr. Au Hing Lun, Dennis	30.1.2011 to 8.7.2018	99,074
	20.1.2011 to 15.6.2019	200,337
	20.1.2012 to 15.6.2019	400,674
	19.1.2011 to 25.6.2020	127,750
	19.1.2012 to 25.6.2020	127,750
	19.1.2013 to 25.6.2020	255,500
		1,211,085
Ms. Fung Ching Man, Janet	30.1.2011 to 8.7.2018	11,495
	20.1.2011 to 15.6.2019	116,316
	20.1.2012 to 15.6.2019	232,632
	19.1.2011 to 25.6.2020	53,250
	19.1.2012 to 25.6.2020	53,250
	19.1.2013 to 25.6.2020	106,500
		573,443

Save as disclosed herein, as at 31 December 2010, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Wing Tai Properties Share Option Scheme and the Wing Tai Properties Share Incentive Scheme, at no time during the year was the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Company had no share option scheme during the year.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of the Directors in shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept under section 336 of the SFO shows that as at 31 December 2010 the Company has been notified of the following interests or short positions in the shares of the Company:

	Nature of interests and capacity in which interests are held					
Name of substantial shareholder	**Interests held as beneficial owner**	**Interests held as trustee**	**Interests held by controlled corporations**	**Total interests**	**Long position/ Short position**	**Percentage of issued share capital**
Deutsche Bank International Trust Co. (Jersey) Limited *(Note 1)*	—	205,835,845	—	205,835,845	Long position	79.26%
Deutsche Bank International Trust Co. (Cayman) Limited *(Note 1)*	—	205,835,845	—	205,835,845	Long position	79.26%
Wing Tai Holdings Limited *(Note 2)*	—	—	205,835,845	205,835,845	Long position	79.26%
Wing Tai Properties *(Note 3)*	162,844,458	—	42,991,387	205,835,845	Long position	79.26%
Wing Tai Properties (B.V.I.) Limited (formerly known as USI Holdings (B.V.I.) Limited) *(Note 3)*	—	—	42,991,387	42,991,387	Long position	16.56%
Twin Dragon Investments Limited *(Note 3)*	42,991,387	—	—	42,991,387	Long position	16.56%
Standard Chartered PLC *(Note 4)*	—	—	13,900,000	13,900,000	Long position	5.35%
	—	—	13,900,000	13,900,000	Short position	
Standard Chartered Holdings Limited *(Note 4)*	—	—	13,900,000	13,900,000	Long position	5.35%
	—	—	13,900,000	13,900,000	Short position	
Standard Chartered Bank *(Note 4)*	13,900,000	—	—	13,900,000	Long position	5.35%
	13,900,000	—	—	13,900,000	Short position	

Notes:

1. *Deutsche Bank International Trust Co. (Jersey) Limited was the trustee of a family trust which held all units of a unit trust (the "Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust. The assets of the Unit Trust included indirect interests in more than one-third of the issued shares of Wing Tai Holdings Limited ("Wing Tai Holdings"). Deutsche Bank International Trust Co. (Jersey) Limited and Deutsche Bank International Trust Co. (Cayman) Limited were deemed (by virtue of the SFO) to be interested in all the shares of the Company in which Wing Tai Holdings was interested. Accordingly, these interests were duplicated with the interests set out in note 2 entirely.*

2. *Wing Tai Holdings held more than one-third of the issued shares of Wing Tai Properties. Under Part XV of the SFO, Wing Tai Holdings was deemed to be interested in all the shares of the Company in which Wing Tai Properties was interested. Accordingly, these interests were duplicated with the interests set out in note 3 entirely.*

3. *Wing Tai Properties was interested in 205,835,845 shares of the Company comprising 162,844,458 shares held as beneficial owner and 42,991,387 shares held under Twin Dragon Investments Limited. The interest in the 162,844,458 shares of the Company included interest in 13,900,000 shares held through equity derivatives, details of which are set out in note 4 hereof. Twin Dragon Investments Limited was a wholly-owned subsidiary of Wing Tai Properties (B.V.I.) Limited, which in turn was a wholly-owned subsidiary of Wing Tai Properties. Under Part XV of the SFO, Wing Tai Properties and Wing Tai Properties (B.V.I.) Limited were deemed to be interested in all the shares of the Company beneficially owned by Twin Dragon Investments Limited.*

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes: (continued)

4. *On 22 October 2010, Standard Chartered Bank entered into an agreement to acquire 13,900,000 shares of the Company. The transaction was completed on 25 October 2010. Also on 22 October 2010, Wing Tai Properties entered into an option agreement with Standard Chartered Bank pursuant to which Standard Chartered Bank was granted with an option to sell the 13,900,000 shares of the Company to Wing Tai Properties subject to the terms and conditions therein. Standard Chartered Bank was a wholly-owned subsidiary of Standard Chartered Holdings Limited which in turn was a wholly-owned subsidiary of Standard Chartered PLC. Under Part XV of the SFO, Standard Chartered PLC and Standard Chartered Holdings Limited were deemed to be interested in all the shares of the Company in which Standard Chartered Bank was interested.*

Save as disclosed herein, as at 31 December 2010 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

In the Company's announcement dated 22 October 2010, the Company announced that it was notified by Wing Tai Properties (the controlling shareholder of the Company) that it had entered into an agreement dated 22 October 2010 concerning the disposal of 13,900,000 shares of the Company to Standard Chartered Bank (the "Disposal"). Based on the information within the knowledge of the Directors, the Disposal was completed on 25 October 2010 and immediately thereafter 25.01% of the Company's total issued share capital was held by the public.

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained the percentage prescribed under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") of the Company's shares in public hands as at the latest practicable date prior to the issue of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

On 23 April 2008, Wing Tai Properties, Wing Tai Malaysia Berhad ("WTMB", formerly known as DNP Holdings Berhad) and Kualiti Gold Sdn Bhd (the "JV Company") entered into a joint venture and shareholders' agreement relating to the formation of the JV Company for the purposes of acquiring a building in Kuala Lumpur (the "Development"), fitting out and operating the Development as serviced apartments. Each of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward has an indirect interest in the share capital of WTMB and the JV Company.

On 4 December 2008, Gieves Limited ("Gieves"), an indirect subsidiary of Wing Tai Properties, and Wensum Tailoring Limited ("Wensum") entered into a contract under which Gieves might place orders with Wensum for supply of certain finished tailored menswear or their components for the three years ending on 31 December 2011. Each of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward has an indirect interest in the share capital of Wensum.

On 8 January 2009, four operating agreements ("2009 Operating Agreements") and four licence agreements ("2009 Licence Agreements") were entered into between Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia"), Lanson Place Hospitality Management (Singapore) Pte Limited ("LP Singapore"), Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda"), all wholly-owned subsidiaries of Wing Tai Properties, and Winshine Investment Pte Ltd ("Winshine"), Seniharta Sdn Bhd ("Seniharta") and the JV Company (collectively "WT Associates") for a term of 10 years. Under the 2009 Operating Agreements, LP Singapore has agreed to provide serviced apartment management services to Winshine, LP Malaysia has agreed to provide hotel apartment management services and serviced apartment management services to Seniharta whereas LP Malaysia has agreed to provide serviced apartment management consulting services to the JV Company. Under the 2009 Licence Agreements, LP Bermuda has agreed to grant to WT Associates the rights to use certain trademarks and tradenames in relation to certain serviced apartment blocks located in Singapore or Malaysia. Each of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward has an indirect interest in the share capital of WT Associates.

DIRECTORS' INTERESTS IN CONTRACTS *(continued)*

On 6 January 2010, Unimix Properties Limited ("Unimix Properties"), a wholly-owned subsidiary of the Company, entered into agreements for leasing of additional spaces and renewal of the tenancy of various units in Unimix Industrial Centre for a term of two years commencing from 1 November 2009 and licensing of three car parking spaces within Unimix Industrial Centre for a term of 22 months commencing from 1 January 2010 to Wing Tai Corporation Limited ("WTCL"), a substantial shareholder of Wing Tai Properties. Each of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward has an indirect interest in the share capital of of WTCL.

Save as disclosed above and in the section "Connected Transactions", no contracts of significance in relation to the Group's businesses to which the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Set out below is information disclosed pursuant to rule 8.10(2) of the Listing Rules on the Stock Exchange:

(a) Mr. Chow Wai Wai, John and Mr. Chung Hon Sing, John are directors of Winsor Industrial Corporation, Limited ("WICL") and/or its subsidiaries. Ownership of certain car parking spaces in Kwun Tong for letting by a subsidiary of WICL constitutes competing business to the Group. In view of the Group's experience and expertise in property (inclusive of car parking spaces) letting and management, the WICL subsidiary has appointed a subsidiary of the Company as agent for letting of the said car parking spaces.

    Since the WICL Group's car parking spaces are targeted at different customers compared to the Group's own car parking spaces, the Group considers that its interest in the business of owning and letting of car parking spaces is adequately safeguarded.

(b) Mrs. Chen Chou Mei Mei, Vivien is an independent non-executive director of Emcom International Limited ("Emcom"). Businesses of Emcom consist of provision of property management services and may be regarded as competing businesses to the Group.

    As an independent non-executive director of Emcom, Mrs. Chen is not participating in the routine businesses of Emcom. Also, Emcom is listed in Hong Kong with an independent management team and administration which are separated from those of the Group. In this respect, coupled with the diligence of the Company's Independent Non-Executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of such competing businesses.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES *(continued)*

(c) The following Directors and Alternate Director are also directors and/or officers of Wing Tai Properties as set out in the table below.

Name of Director	Position held in Wing Tai Properties
Mr. Chow Wai Wai, John *Managing Director*	*Executive Director*
Mr. Au Hing Lun, Dennis *Executive Director*	*Executive Director*
Dr. Cheng Wai Chee, Christopher *Non-Executive Chairman*	*Chairman*
Mr. Cheng Wai Sun, Edward *Non-Executive Director*	*Deputy Chairman and Chief Executive*
Ms. Fung Ching Man, Janet *Alternate Director to Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward respectively*	*Company Secretary and Chief Financial Officer*

Wing Tai Properties and its subsidiaries (excluding the Group) are principally engaged in property development, hospitality investment and management, garment manufacturing, branded products distribution and investing activities. Wing Tai Properties Group (excluding the Group) may also be involved from time to time in property investment activities.

The Company and its subsidiaries are principally engaged in property investment and management, warehousing and investment holding. The Group may also be involved from time to time in property development activities.

During the year, the Directors did not aware of any competing businesses between the two groups.

Mr. Chow Wai Wai, John is not participating in the routine businesses of Wing Tai Properties whereas Dr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Ms. Fung Ching Man, Janet are not participating in the routine businesses of the Group. Also, Wing Tai Properties is a company listed in Hong Kong with an independent management team and administration which are separate from those of the Group. In this respect, coupled with the diligence of the Company's Independent Non-Executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of any possible competing businesses with Wing Tai Properties.

(d) Although the disclosure requirements under rule 8.10(2) of the Listing Rules do not apply to Independent Non-Executive Directors, Dr. Lo Ka Shui disclosed for the sake of transparency that, being the Chairman and Managing Director of Great Eagle Holdings Limited ("GEHL") and a non-executive director and the Chairman of Eagle Asset Management (CP) Limited (manager of the publicly listed Champion Real Estate Investment Trust ("Champion REIT")), he is to be considered as having interests in GEHL and Champion REIT under rule 8.10(2) of the Listing Rules. Businesses of GEHL and Champion REIT consist of property investment and management and may be regarded as competing businesses to the Group.

As an Independent Non-Executive Director, Dr. Lo Ka Shui is not participating in the routine businesses of the Group. Also, GEHL and Champion REIT whose shares/units are listed in Hong Kong have independent management teams and administration which are separate from those of the Group. In this respect, coupled with the diligence of the Company's Independent Non-Executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of such competing businesses.

CONNECTED TRANSACTIONS

The following is a summary of the connected transactions between the Group and connected persons during the year which are required to be disclosed pursuant to Chapter 14A of the Listing Rules. Connected persons, as defined in the Listing Rules, include (i) Wing Tai Properties and its subsidiaries (excluding the Group) in which Dr. Cheng Wai Chee, Christopher, Mr. Chow Wai Wai, John, Mr. Cheng Wai Sun, Edward, Mr Au Hing Lun, Dennis and Ms. Fung Ching Man, Janet have beneficial interest. Dr. Cheng Wai Chee, Christopher, Mr. Chow Wai Wai, John, Mr. Cheng Wai Sun, Edward and Mr. Au Hing Lun, Dennis are Executive Directors of Wing Tai Properties whereas Ms. Fung Ching Man, Janet is the Company Secretary and Chief Financial Officer of Wing Tai Properties; and (ii) Wing Tai Holdings, a substantial shareholder of the Company within the meaning of Part XV of the SFO and its subsidiaries in which Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are both beneficiaries of a family trust, the assets of which included indirect interests in more than one-third of the issued shares of Wing Tai Holdings.

Connected Transactions

(a) On 21 June 2002, Winprop Pte. Ltd. ("Winprop") a wholly-owned subsidiary of the Company, entered into a subscription agreement with Winworth Investment Pte Ltd ("Winworth") pursuant to which Winprop subscribed for 15% of the enlarged share capital of Winworth and advanced a sum of S$30 million to Winworth. The other 85% of the issued share capital of Winworth is held by Wing Tai Land Pte. Ltd. ("WTL"), a wholly-owned subsidiary of Wing Tai Holdings. On 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. For a nominal consideration Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth such that the loans owing by Winworth to Winprop and WTL respectively are always in the proportion of 15:85. Winworth is the developer of the residential development known as Draycott 8 at Draycott Drive, Singapore.

During the year, Winworth advanced its cash surplus to shareholders by way of interest-free loan. The proportionate amount received by Winprop was about HK$1.8 million.

(b) On 3 December 2004, Begin Land Limited ("BLL"), a wholly-owned subsidiary of the Company, appointed Wing Tai Properties Development Limited ("WTPDL", formerly known as USI Properties Limited), a wholly-owned subsidiary of Wing Tai Properties, as the project manager of BLL's office development at Landmark East. The term of WTPDL's appointment commenced from 1 December 2004 until 30 September 2010.

Payments made by BLL to WTPDL during the year amounted to HK$0.3 million.

(c) On 14 March 2005, the Company and Wing Tai Properties entered into a memorandum of agreement whereby the Company and Wing Tai Properties agreed to form a 20:80 joint venture in the name of Pangold Development Limited ("Pangold") for the investment in and development of the property known as Forfar at 2 Forfar Road, Hong Kong. The Company nominated Allied Effort Limited ("AEL") to hold the Group's 20% interest in Pangold and a shareholders' agreement of Pangold was entered into on 14 July 2005.

During the year, AEL advanced HK$2.8 million to Pangold to fund for the development expenditure in Forfar and received a subsequent repayment of shareholder's loan amounting to HK$47.6 million.

(d) On 20 December 2005, Winprop and WTL entered into a memorandum of agreement whereby Winprop and WTL agreed to form a 30:70 joint venture in the name of Winquest Investment Pte. Ltd. ("Winquest") in respect of the residential development known as Belle Vue Residences at 15-23 Oxley Walk, Singapore. WTL subsequently sold 10% of Winquest to an independent third party, and a shareholders' agreement of Winquest was entered into on 28 February 2006.

During the year, there was an interest receivable of about HK$9.1 million from Winquest in respect of the shareholder's loans advanced by Winprop to Winquest.

CONNECTED TRANSACTIONS *(continued)*

Continuing Connected Transactions

(a) On 20 June 2008, Winnion Limited ("Winnion"), a wholly-owned subsidiary of the Company, entered into agreements to lease various units in W Square to WTPDL (the "W Square Tenancy Agreements (A)") for a term of two years commencing from June/July 2008. W Square is a commercial property situated at No. 314–324 Hennessy Road, Wanchai, Hong Kong. The W Square Tenancy Agreements (A) constituted continuing connected transactions to the Company under Chapter 14A of the Listing Rules, as WTPDL is a connected person of the Company.

Total amount received by Winnion during the year was about HK$2.6 million which was within the annual cap of HK$2.6 million as announced on 20 June 2008.

(b) In 2009, Unimix Properties renewed agreements to lease/license various units and car parks in Unimix Industrial Centre to certain subsidiaries of Wing Tai Properties mostly for a term of one year (the "Unimix Tenancy Agreements"). Unimix Industrial Centre is an industrial property situated at No. 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong. The Unimix Tenancy Agreements constituted continuing connected transactions to the Company under Chapter 14A of the Listing Rules, as Wing Tai Properties including their subsidiaries are connected persons of the Company.

Total amount received by Unimix Properties during the year was about HK$4.7 million which was within the annual cap of HK$18.7 million as announced on 5 December 2007.

(c) On 20 January 2009, Winnion entered into an offer letter to lease 5th Floor of W Square to Cateavon Limited ("Cateavon"), a 30% jointly controlled entity of Wing Tai Properties (the "W Square Tenancy Agreement (B)") for a term of two years commencing from April 2009. The W Square Tenancy Agreement (B) constituted continuing connected transaction to the Company under Chapter 14A of the Listing Rules, as Cateavon is a connected person of the Company.

Total amount received by Winnion during the year was about HK$1.6 million which was within the annual cap of HK$1.6 million as announced on 20 January 2009.

(d) On 20 July 2009, BLL entered into a preliminary tenancy agreement to lease the whole of 27th Floor, Two Landmark East to Wing Tai Properties (Hong Kong) Limited ("WTPHKL" formerly known as United Success International Limited), a wholly-owned subsidiary of Wing Tai Properties (the "Landmark East Tenancy Agreement") for a term of approximately thirty one months commencing from January 2010. There was a five-month rent-free fitting-out licence period immediately preceding the commencement of the lease. Two Landmark East is an office tower situated at 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong. The Landmark East Tenancy Agreement constituted continuing connected transaction to the Company under Chapter 14A of the Listing Rules, as WTPHKL is a connected person of the Company.

Total amount received by BLL during the year was about HK$3.9 million which was within the annual cap of HK$4.4 million as announced on 20 July 2009.

(e) On 18 June 2010, Winnion entered into agreements with WTPDL in respect of the extension of tenancy of 6th Floor of W Square for a term of two months commencing from June 2010 and the renewal of tenancy of 25th Floor and penthouse of W Square for a term of one year commencing from July 2010 (the "W Square Tenancy Agreements (C)"). The W Square Tenancy Agreements (C) constituted continuing connected transactions to the Company under Chapter 14A of the Listing Rules, as WTPDL is a connected person of the Company.

Total amount received by Winnion during the year was about HK$2.0 million which was within the annual cap of HK$2.2 million as announced on 18 June 2010.

CONNECTED TRANSACTIONS *(continued)*

Continuing Connected Transactions *(continued)*

The Independent Non-Executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms;

3. in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

4. have not exceeded the relevant maximum amount capped in accordance with the annual caps as set out in the relevant public announcements.

In accordance with rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 21 of this annual report in accordance with rule 14A.38 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 94 of this annual report.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who offer themselves for re-appointment at a fee to be agreed.

On behalf of the Board

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 30 March 2011

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the conduct of its business. The Company has observed the principles and complied with all code provisions and, to the extent possible having regard to circumstances pertaining to the Company, the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended 31 December 2010.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors and received confirmation from all Directors that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2010. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees (as such term is defined in the CG Code) in respect of their dealings in the securities of the Company.

BOARD OF DIRECTORS

The Board of Directors of the Company (the "Board") is responsible for determining the overall strategies and policies and approving the business plan of the Group, and ensuring the Group's business operations are properly planned, authorised, undertaken and monitored. The implementation of strategies and policies and day-to-day operations of the Group's business are delegated to the management led by the Managing Director. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decision. The principal functions of the Board are:

- to determine the overall objectives, strategies, policies and business plan of the Group;
- to monitor and control operating and financial performance;
- to approve major funding, investment and divestment proposals;
- to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- to approve the nominations of directors and appointment of key personnel; and
- to assume responsibility for corporate governance.

Board Composition: The Board as now constituted comprises four Executive Directors, two Non-Executive Directors and four Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship (if any) among them, are set out on pages 3 to 4 of the Annual Report.

In accordance with rule 3.13 of the Listing Rules, each of the Independent Non-Executive Directors had confirmed his independence with the Stock Exchange and has provided an annual confirmation of his independence to the Company. Based on the assessment performed by the Nomination Committee, the Board considers that all the existing Independent Non-Executive Directors are independent.

Board Meetings: Regular meetings are scheduled in advance to facilitate the maximum attendance. Four Board meetings were held during the year ended 31 December 2010 and the attendance of each Director is set out in the section "Attendance to Meetings" of this report. Another Board meeting was held on 30 March 2011 for the purpose of, amongst other things, approving the Group's audited financial statements and announcement of results, declaring a special dividend and recommending a final dividend for the year ended 31 December 2010.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Cheng Wai Chee, Christopher is the Non-Executive Chairman of the Board. Mr. Chow Wai Wai, John, Managing Director, is the Chief Executive Officer of the Group. Their roles are segregated.

The Chairman of the Board is responsible for:

- providing leadership for the Board;
- ensuring that the Board functions effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely and constructive manner;
- ensuring the provision of adequate information, which must be complete and reliable, to Directors in a timely manner;
- ensuring that good corporate governance practices and procedures are established;
- facilitating the effective contribution of Non-Executive Directors and ensure constructive relations between Executive and Non-Executive Directors; and
- ensuring effective communication with shareholders.

The Chief Executive Officer is responsible, under delegated authority from the Board, for the day-to-day management and running of the Group's businesses and implementation of the strategies and policies set by the Board.

NON-EXECUTIVE DIRECTORS

All Non-Executive Directors, including Independent Non-Executive Directors, are appointed for an initial term expiring at the first annual general meeting of the Company after their respective appointment. In accordance with the Articles of Association of the Company, they shall then be eligible for re-election, and thereafter are subject to retirement by rotation at least once in every three years.

REMUNERATION OF DIRECTORS

Details of the remuneration of Directors are set out in note 9(b) to the financial statements.

Principles of Remuneration Policy:

The major principles of the Group's remuneration policy are:

- no individual is involved in determining his own remuneration;
- remuneration should align with those offered for comparable position by comparable companies of similar size and business scope in the market; and
- remuneration should reflect work complexity, time commitment, responsibility and performance (both financial and qualitative) with a view to attracting, motivating and retaining high performing individuals.

Directors' Fees: The Directors' fees of both Executive and Non-Executive Directors are recommended by the management, reviewed by the Remuneration Committee and approved by the Board on an annual basis.

Remuneration of Executive Directors: The structure of the remuneration of the Executive Directors is made up of base salary, performance incentive in the form of cash bonus, and retirement benefits. The specific remuneration packages and performance incentives of the Executive Directors are determined annually by the Remuneration Committee taking into consideration the competitive market position, market practice, responsibilities and individual performance of the Executive Directors, corporate goals and financial results of the Group.

REMUNERATION OF DIRECTORS *(continued)*

Remuneration of Board Committees: The remuneration of the Non-Executive Directors serving on Board committees are recommended by the management and reviewed by the Remuneration Committee for approval by the Board on an annual basis.

Remuneration Committee: Pursuant to the CG Code, the Board established a Remuneration Committee with written terms of reference on 1 April 2005. The present Remuneration Committee comprises two Independent Non-Executive Directors, namely Mr. Haider Hatam Tyebjee Barma and Mr. Christopher Patrick Langley, and the Managing Director, Mr. Chow Wai Wai, John. Mr. Barma is the Chairman of the Remuneration Committee.

The principal duties and functions of the Remuneration Committee are:

- to make recommendations to the Board regarding the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to determine the specific remuneration packages of all Executive Directors and senior management;
- to make recommendations to the Board of the remuneration of Non-Executive Directors; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of references of the Remuneration Committee are posted on the website of the Company.

The Remuneration Committee held two meetings in March and December 2010:

- to determine the discretionary bonuses of Executive Directors for the year 2009 and their annual base pay for the year 2010, it being noted that the Group's senior management comprised the Executive Directors;
- to review the fee scale regarding Directors' fees and remuneration of Board Committees; and
- to provide guidance and review the discretionary payments for the year 2010 and salary adjustments for the year 2011 effected for the Group's general staff.

The attendance of each member of the Remuneration Committee to its meetings is set out in the section "Attendance to Meetings" of this report.

NOMINATION OF DIRECTORS

The Board, through the Nomination Committee, reviews its structure, size and composition from time to time to ensure that it has the balance of skills and experience and independent element appropriate for the requirement of the Group's businesses. All Directors newly appointed by the Board are appointed for an initial term expiring at the first annual general meeting of the Company after their respective appointment. In accordance with the Articles of Association of the Company, they shall then be eligible for re-election, and thereafter are subject to retirement by rotation at least once in every three years.

Nomination Committee: The Company established a Nomination Committee with written terms of reference on 29 March 2007. The present Nomination Committee comprises two Independent Non-Executive Directors, namely Dr. Lo Ka Shui and Mr. Haider Hatam Tyebjee Barma and one Non-Executive Director, Dr. Cheng Wai Chee, Christopher. Dr. Lo is the Chairman of the Nomination Committee. Mr. Christopher Patrick Langley is the alternate member to Mr. Barma.

NOMINATION OF DIRECTORS *(continued)*

The principal duties and functions of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes as and when necessary;
- to identify and nominate qualified individuals to the Board for appointment as additional Directors or to fill Board vacancies as and when they arise;
- to assess the independence of Independent Non-Executive Directors; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Managing Director.

The terms of references of the Nomination Committee are posted on the website of the Company.

The Nomination Committee held one meeting in March 2010:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board; and
- to assess the independence of Independent Non-Executive Directors.

The attendance of each member of the Nomination Committee to its meeting is set out in the section "Attendance to Meetings" of this report.

ACCOUNTABILITY AND AUDIT

Financial Reporting: The Directors acknowledge their responsibilities for the preparation of financial statements which give a true and fair view, and to ensure that appropriate accounting policies are selected and applied consistently. The Directors 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.

The external auditor of the Company has included a statement of its reporting responsibilities on the Group's financial statements in its Independent Auditor's Report on page 29 of the Annual Report.

Internal Control: The Board is responsible for maintaining sound and effective internal controls to safeguard the Group's assets. The Group's system of internal control is designed to provide reasonable assurance regarding risk management and the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

The Board, through the Audit Committee, has set down the process for reviewing the effectiveness of the Group's system of internal control. The publication "Internal Control and Risk Management — A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants in June 2005 was used as the main reference. The process, which is fully documented, requires the heads of each functional division of the Group to perform an annual self-assessment of the risks in the operations of their divisions and the adequacy of the control techniques and activities in place before completing an assessment checklist in respect of the five components of internal control:

- control environment;
- risk assessment;
- control activities;
- information and communication; and
- monitoring.

ACCOUNTABILITY AND AUDIT *(continued)*

These assessments will be completed by a cascade of compliance certificates whereby non-compliances or weaknesses in the Group's internal controls, if any, will be identified and reported to the Board.

The Group's internal audit function independently reviews the effectiveness of the Group's system of internal control on a continuing basis, and aims to cover all major operations of the Group by rotation. The annual internal audit plan is approved by the Audit Committee at the beginning of each financial year, based on the Audit Committee's strategic plan and taking into account input from management. The internal audit function reports its findings and recommendations to the Audit Committee at its meetings and ensures implementation of the recommendations.

Having performed an annual review of the effectiveness of the Group's system of internal control, the Board is satisfied that the Group has maintained sound and effective internal controls during the year ended 31 December 2010.

Audit Committee: The Company established an Audit Committee with written terms of reference on 18 December 1998. The present Audit Committee comprises two Independent Non-Executive Directors, namely Mr. Christopher Patrick Langley and Mr. Haider Hatam Tyebjee Barma and one Non-Executive Director, Dr. Cheng Wai Chee, Christopher. Mr. Langley is the Chairman of the Audit Committee. Ms. Fung Ching Man, Janet is the alternate member to Dr. Cheng.

The principal duties and functions of the Audit Committee are:

- to review the Group's financial statements;
- to review the effectiveness of both the external and internal audits and of internal controls and risk evaluation;
- to consider the appointment and remuneration of the external auditor; and
- to consider external and internal audit plans and findings.

The terms of reference of the Audit Committee are posted on the website of the Company.

The Audit Committee held four meetings in March, June, August and December 2010:

- to review the effectiveness of the system of internal controls of the Group;
- to review the financial statements and the accounting policies and practices adopted by the Group with management and the external auditor;
- to consider the independence and remuneration of the external auditor;
- to discuss the external auditor's audit plan and findings;
- to discuss the internal auditor's audit plan and findings; and
- to monitor the progress of the Company's action plans for the purpose of restoring the public float of the Company.

The attendance of each member of the Audit Committee to its meetings is set out in the section "Attendance to Meetings" of this report.

AUDITOR'S REMUNERATION

Remuneration in respect of audit and non-audit services provided during the year ended 31 December 2010 by the Company's external auditor, PricewaterhouseCoopers, is analysed as follows:

Services rendered	**Remuneration HK$'000**
Audit services	1,370
Non-audit services	353

CORPORATE COMMUNICATION

The Company maintains various communication channels with its shareholders and investors through the publication of notices and announcements on the Company's website at www.winsorprop.com, dispatch of circulars, annual reports and interim reports to shareholders, and publication of all the above on the Stock Exchange's website at www.hkexnews.hk.

The Company's website at www.winsorprop.com also provides access for shareholders and investors to the Company's corporate, financial and other information updated from time to time.

VOTING BY POLL

Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue. At the annual general meeting of the Company held on 13 May 2010, all the resolutions proposed were duly passed by way of voting by poll.

ATTENDANCE TO MEETINGS

The attendance of individual Directors to Board and Committee meetings during the year ended 31 December 2010 is set out below.

Name of Director	Board Meetings(1)	Remuneration Committee Meetings(2)	Nomination Committee Meeting(3)	Audit Committee Meetings(4)
Executive Directors:				
Mr. Chow Wai Wai, John *(Managing Director)*	4/4	2/2	NA	NA
Mrs. Chen Chou Mei Mei, Vivien	3/4	NA	NA	NA
Mr. Chung Hon Sing, John	4/4	NA	NA	NA
Mr. Au Hing Lun, Dennis	3/4	NA	NA	NA
Non-Executive Directors:				
Dr. Cheng Wai Chee, Christopher *(Chairman)*	4/4	NA	1/1	3/4
Mr. Cheng Wai Sun, Edward	4/4	NA	NA	NA
Independent Non-Executive Directors:				
Lord Sandberg	0/4	NA	NA	NA
Mr. Christopher Patrick Langley	3/4	1/2	NA	3/4
Dr. Lo Ka Shui	3/4	NA	1/1	NA
Mr. Haider Hatam Tyebjee Barma	3/4	2/2	1/1	3/4

Notes:

(1) These meetings of the Board were held in March, June, August and December 2010.

(2) These meetings of the Remuneration Committee were held in March and December 2010.

(3) This meeting of the Nomination Committee was held in March 2010.

(4) These meetings of the Audit Committee were held in March, June, August and December 2010.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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To the Shareholders of
Winsor Properties Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Winsor Properties Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 92, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)
Revenue	5	**403,708**	290,332
Cost of sales	6	**(92,334)**	(103,017)
Gross profit		**311,374**	187,315
Other income	5	**35,828**	38,748
Leasing and marketing expenses	6	**(19,161)**	(13,215)
Administrative expenses	6	**(38,327)**	(37,105)
Increase in fair value of investment properties	16	**1,799,809**	339,300
Gains on disposals of investment properties		**147,011**	—
Other gains, net	7	**25,167**	72,215
Other operating expenses	6	**(919)**	(887)
Operating profit before finance income and costs		**2,260,782**	586,371
Finance income	8	**520**	47
Finance costs	8	**(73,295)**	(63,617)
Operating profit		**2,188,007**	522,801
Share of profits less losses of associated companies		**300,288**	(3,098)
Profit before taxation		**2,488,295**	519,703
Taxation charge	10	**(23,437)**	(30,057)
Profit for the year		**2,464,858**	489,646
Attributable to:			
Shareholders of the Company	11	**2,460,044**	484,757
Non-controlling interests		**4,814**	4,889
		2,464,858	489,646
		HK$	HK$ (Restated)
Earnings per share	12	**9.47**	1.87
		HK$'000	HK$'000
Dividends	13	**410,303**	129,842

The accompanying notes on pages 37 to 92 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)
Profit for the year		**2,464,858**	489,646
Other comprehensive income			
Exchange translation differences	32	**59,895**	(138)
Fair value gains on available-for-sale financial assets	32	**82,749**	144,519
Cash flow hedges			
— Fair value losses	32	**(63,789)**	(56,621)
— Realised upon settlement	32	**44,427**	39,686
Other comprehensive income for the year, net of tax		**123,282**	127,446
Total comprehensive income for the year		**2,588,140**	617,092
Attributable to:			
Shareholders of the Company		**2,583,326**	612,203
Non-controlling interests		**4,814**	4,889
		2,588,140	617,092

The accompanying notes on pages 37 to 92 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010

	Note	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	15	**11,249**	8,482	2,608
Investment properties	16	**10,227,930**	9,194,930	8,834,930
Interests in associated companies	18	**500,676**	180,969	185,732
Amounts and loans receivable from associated companies	18	**357,525**	350,338	315,370
Available-for-sale financial assets	19	**431,094**	350,182	216,607
Held-to-maturity investments	20	**37,877**	30,997	25,445
Goodwill	21	**—**	—	—
Deferred tax assets	30	**13,653**	7,572	13,559
Derivative financial instruments	26	**16,000**	—	—
		11,596,004	10,123,470	9,594,251
Current assets				
Inventories	22	**58**	—	—
Trade and other receivables	23	**55,668**	44,074	57,091
Available-for-sale financial assets		**—**	—	2,948
Bank balances and cash	24	**595,167**	172,004	175,548
		650,893	216,078	235,587
Current liabilities				
Trade and other payables and accruals	25	**310,908**	308,503	288,345
Short-term bank loans	27	**136,250**	357,250	854,443
Derivative financial instruments	26	**42,865**	40,821	40,354
Tax payable		**40,301**	26,252	58,110
		530,324	732,826	1,241,252
Net current assets/(liabilities)		**120,569**	(516,748)	(1,005,665)
Total assets less current liabilities		**11,716,573**	9,606,722	8,588,586

Consolidated Balance Sheet *(continued)*

At 31 December 2010

	Note	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
Non-current liabilities				
Long-term bank loans	28	**1,920,600**	2,275,250	1,713,497
Other long-term loans	29	**32,498**	32,498	32,498
Amounts and loans payable to associated companies	18	**166,789**	166,789	166,789
Derivative financial instruments	26	**71,621**	55,262	105,846
Deferred tax liabilities	30	**51,331**	50,784	41,229
		2,242,839	2,580,583	2,059,859
Net assets		**9,473,734**	7,026,139	6,528,727
Share capital	31	**2,596**	2,596	2,596
Reserves	32	**9,440,287**	6,997,191	6,504,443
Equity attributable to shareholders of the Company		**9,442,883**	6,999,787	6,507,039
Non-controlling interests	37(b)	**30,851**	26,352	21,688
Total equity		**9,473,734**	7,026,139	6,528,727

The accompanying notes on pages 37 to 92 are an integral part of these financial statements.

CHENG Wai Chee, Christopher
Director

CHOW Wai Wai, John
Director

Balance Sheet

At 31 December 2010

	Note	31/12/2010 HK$'000	31/12/2009 HK$'000
Non-current assets			
Subsidiaries	17	**3,250,757**	3,000,698
Current assets			
Other receivables	23	**1,044**	622
Bank balances and cash	24	**101**	27
		1,145	649
Current liabilities			
Other payables and accruals	25	**1,735**	2,222
		1,735	2,222
Net current liabilities		**(590)**	(1,573)
Net assets		**3,250,167**	2,999,125
Share capital	31	**2,596**	2,596
Reserves	32	**3,247,571**	2,996,529
Total equity		**3,250,167**	2,999,125

The accompanying notes on pages 37 to 92 are an integral part of these financial statements.

CHENG Wai Chee, Christopher
Director

CHOW Wai Wai, John
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Note	Equity attributable to the shareholders of the Company						
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010								
As previously reported		**2,596**	**694,938**	**5,387,467**	**98,680**	**6,183,681**	**25,070**	**6,208,751**
Prior year adjustments	2(b)	—	—	**816,106**	—	**816,106**	**1,282**	**817,388**
As restated		**2,596**	**694,938**	**6,203,573**	**98,680**	**6,999,787**	**26,352**	**7,026,139**
Comprehensive income								
Profit for the year		—	—	**2,460,044**	—	**2,460,044**	**4,814**	**2,464,858**
Other comprehensive income	32							
Exchange translation differences		—	**59,895**	—	—	**59,895**	—	**59,895**
Fair value gains on available-for-sale financial assets		—	**82,749**	—	—	**82,749**	—	**82,749**
Fair value losses on cash flow hedges		—	**(63,789)**	—	—	**(63,789)**	—	**(63,789)**
Realised upon settlement of interest rate swap contracts		—	**44,427**	—	—	**44,427**	—	**44,427**
Total other comprehensive income		—	**123,282**	—	—	**123,282**	—	**123,282**
Total comprehensive income		—	**123,282**	**2,460,044**	—	**2,583,326**	**4,814**	**2,588,140**
Dividends paid to non-controlling shareholders		—	—	—	—	—	**(315)**	**(315)**
Dividends paid	13	—	—	**(41,550)**	**(98,680)**	**(140,230)**	—	**(140,230)**
Special dividend declared	13	—	—	**(259,685)**	**259,685**	—	—	—
Final dividend proposed	13	—	—	**(109,068)**	**109,068**	—	—	—
At 31 December 2010		**2,596**	**818,220**	**8,253,314**	**368,753**	**9,442,883**	**30,851**	**9,473,734**
At 1 January 2009								
As previously reported		2,596	697,334	4,958,228	88,293	5,746,451	20,872	5,767,323
Prior year adjustments	2(b)	—	—	760,588	—	760,588	816	761,404
As restated		2,596	697,334	5,718,816	88,293	6,507,039	21,688	6,528,727
Comprehensive income								
Profit for the year		—	—	484,757	—	484,757	4,889	489,646
Other comprehensive income	32							
Exchange translation differences		—	(138)	—	—	(138)	—	(138)
Fair value gains on available-for-sale financial assets		—	144,519	—	—	144,519	—	144,519
Fair value losses on cash flow hedges		—	(56,621)	—	—	(56,621)	—	(56,621)
Realised upon settlement of interest rate swap contracts		—	39,686	—	—	39,686	—	39,686
Total other comprehensive income		—	127,446	—	—	127,446	—	127,446
Total comprehensive income (Restated)		—	127,446	484,757	—	612,203	4,889	617,092
Dividends paid to non-controlling shareholders		—	—	—	—	—	(225)	(225)
Dividends paid	13	—	(31,162)	—	(88,293)	(119,455)	—	(119,455)
Final dividend proposed	13	—	(98,680)	—	98,680	—	—	—
At 31 December 2009 (Restated)		2,596	694,938	6,203,573	98,680	6,999,787	26,352	7,026,139

The accompanying notes on pages 37 to 92 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)
Operating activities			
Net cash generated from operations	37(a)	**233,054**	203,458
Interest paid		**(73,098)**	(65,463)
Hong Kong profits tax paid		**(14,699)**	(46,286)
Overseas tax paid		**(223)**	(87)
Net cash from operating activities		**145,034**	91,622
Investing activities			
Purchase of property, plant and equipment		**(5,594)**	(8,226)
Additions to investment properties		**(11,222)**	(58,508)
Proceeds from disposals of investment properties		**941,430**	—
Proceeds from disposals of property, plant and equipment		**468**	9
Interest received		**462**	100
Dividends received		**23,776**	27,186
Loan contributions to associated companies		**(2,800)**	(26,000)
Amounts repaid and advanced by associated companies		**47,944**	386
Distribution by an associated company		**—**	3,096
Acquisitions of available-for-sale financial assets		**—**	(10)
Proceeds from disposal of available-for-sale financial assets		**—**	12,945
Amount advanced by an investee company		**1,837**	10,865
Coupon received from held-to-maturity investments		**500**	500
Net cash from/(used in) investing activities		**996,801**	(37,657)
Financing activities	37(b)		
New long-term bank loans		**225,000**	560,738
New short-term bank loans		**450,000**	617,000
Repayment of long-term bank loans		**(545,650)**	(58,400)
Repayment of short-term bank loans		**(705,000)**	(1,054,778)
Dividends paid		**(140,230)**	(119,455)
Dividends paid to non-controlling shareholders		**(315)**	(225)
Net cash used in financing activities		**(716,195)**	(55,120)
Effect of foreign exchange rate changes		**(2,477)**	(2,389)
Net increase/(decrease) in cash and cash equivalents		**423,163**	(3,544)
Cash and cash equivalents at beginning of the year		**172,004**	175,548
Cash and cash equivalents at end of the year		**595,167**	172,004
Analysis of cash and cash equivalents			
Bank balances and cash		**595,167**	172,004

The accompanying notes on pages 37 to 92 are an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and the address of its principal office in Hong Kong is 8th Floor, One Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

The Board of Directors of the Company considers that the Company's ultimate holding company is Wing Tai Properties Limited ("Wing Tai Properties", formerly known as USI Holdings Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange.

The Group is principally engaged in property investment and management, warehousing and investment holding. The Group is also involved from time to time in property development activities.

These financial statements have been approved by the Board of Directors of the Company on 30 March 2011.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and derivative financial instruments.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(b) Adoption of new and revised HKFRSs

(i) During the year, the Group has adopted the following new and revised standards, amendments and interpretations to existing standards which are effective for the current accounting period beginning on 1 January 2010.

HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 3 (Revised)	Business combinations
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HKFRSs (Amendments)	Second improvements to HKFRSs 2009
HK-Int 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

Except for the adoption of HK-Int 5 and early adoption of HKAS 12 (Amendment), the adoption of the new and revised standards, amendments and interpretations to existing standards has no significant impact on the Group's results and financial position.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Adoption of new and revised HKFRSs *(continued)*

HK-Int 5 Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

Hong Kong Interpretation 5 "Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK-Int 5") clarifies that term loans that include a clause giving the lender the unconditional right to call the loans at any time (the "repayment on demand clause") should be classified by the borrower as current liabilities. The Group has adopted HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

Upon adoption of HK-Int 5, the Group has changed its accounting policy on classification of bank loans with a repayment on demand clause. In the past, the classification of such bank loans were determined based on the agreed scheduled repayment dates set out in the loan/facility agreements. Under HK-Int 5, bank loans with a repayment on demand clause are classified as current liabilities. The effects of this change of accounting policy on the financial position of the Group in the current and prior year are as below.

HKAS 12 (Amendment) Deferred tax: Recovery of underlying assets ("HKAS 12 (Amendment)")

Under HKAS 12 (Amendment), there is a rebuttable presumption that the carrying amount of investment property using fair value model will be recovered through sale. Accordingly, the measurement of the deferred tax assets or liabilities shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless management rebuts the presumption and considers that the investment properties are held within a business model whose objective is to consume substantially all the investment properties' economic benefits over time, rather than through sale. HKAS 12 (Amendment) requires retrospective application. The effects of this change of accounting policy on the results and financial position of the Group in the current and prior year are as below.

Consolidated Income Statement	**Year ended**	
	31/12/2010	31/12/2009
	HKAS 12 (Amendment)	
	HK$'000	HK$'000
Decrease in taxation charge	**188,904**	55,984
Decrease in written off of goodwill	**23,018**	—
Increase in profit for the year	**211,922**	55,984
Attributable to:		
Shareholders of the Company	**211,446**	55,518
Non-controlling interests	**476**	466
	211,922	55,984
	HK$	HK$
Increase in earnings per share – basic	**0.81**	0.21

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Adoption of new and revised HKFRSs *(continued)*

Consolidated Balance Sheet

	31/12/2010			31/12/2009			1/1/2009		
	HKAS 12 (Amendment) HK$'000	**HK-Int 5 HK$'000**	**Total HK$'000**	HKAS 12 (Amendment) HK$'000	HK-Int 5 HK$'000	Total HK$'000	HKAS 12 (Amendment) HK$'000	HK-Int 5 HK$'000	Total HK$'000
Increase/(decrease) in:									
Non-current assets									
Goodwill	**(34,789)**	**—**	**(34,789)**	(57,807)	—	(57,807)	(57,807)	—	(57,807)
Deferred tax assets	**12,796**	**—**	**12,796**	6,890	—	6,890	7,765	—	7,765
	(21,993)	**—**	**(21,993)**	(50,917)	—	(50,917)	(50,042)	—	(50,042)
Current liabilities									
Short-term bank loans	**—**	**—**	**—**	—	225,000	225,000	—	407,000	407,000
Non-current liabilities									
Long-term bank loans	**—**	**—**	**—**	—	(225,000)	(225,000)	—	(407,000)	(407,000)
Deferred tax liabilities	**(1,051,303)**	**—**	**(1,051,303)**	(868,305)	—	(868,305)	(811,446)	—	(811,446)
	(1,051,303)	**—**	**(1,051,303)**	(868,305)	(225,000)	(1,093,305)	(811,446)	(407,000)	(1,218,446)
Net assets	**1,029,310**	**—**	**1,029,310**	817,388	—	817,388	761,404	—	761,404
Retained earnings	**1,027,552**	**—**	**1,027,552**	816,106	—	816,106	760,588	—	760,588
Non-controlling interests	**1,758**	**—**	**1,758**	1,282	—	1,282	816	—	816
Total equity	**1,029,310**	**—**	**1,029,310**	817,388	—	817,388	761,404	—	761,404

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Adoption of new and revised HKFRSs *(continued)*

(ii) The following new and revised standards, amendments and interpretations to existing standards have been issued but are not yet effective for the current accounting period.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HKFRSs (Amendments)	Third improvements to HKFRSs 2010	Financial year of 2011
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

The Group is in the process of making an assessment on the impact of these new and revised standards, amendments and interpretations to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

(c) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Consolidation *(continued)*

(i) *Subsidiaries (continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) *Associated companies*

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, will make strategic decisions. The identification of operating segments is set out in note 5.

(e) Foreign currencies translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

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

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates; and

(3) all resulting exchange differences are recognised as a separate component of equity.

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, at the following annual rates:

Plant and machinery	10% to 20%
Leasehold improvements, furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposal of property, plant and equipment are the difference between the net sale proceeds and the carrying amounts of the relevant assets, and are recognised in the income statement. Any revaluation reserve remaining attributable to the relevant assets is transferred to retained earnings and is shown as a movement in reserves.

(g) Investment properties

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Changes in fair values are recognised in the income statement.

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties *(continued)*

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

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment, this reversal is recognised in the income statement.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested annually for impairment as part of the overall carrying amount.

Separately recognised goodwill is tested for impairment and carried at cost less accumulated impairment. Impairment on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

(i) Impairment of investments in subsidiaries, associated companies and non-financial assets

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

In the Company's balance sheet, impairment testing of the investments in subsidiaries or associated companies is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associated company in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Leases – where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease periods.

(ii) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(f) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(w) below.

(k) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and re-evaluates this designation at every balance sheet date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are included under current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Financial assets classified as held-to-maturity investments are those traded in active markets, with fixed or determinable payments and fixed maturities that the Group's management has both the positive intention and the ability to hold to maturity. The entire category would be tainted and reclassified as available-for-sale financial assets/financial assets at fair value through profit or loss if the Group were to sell other than an insignificant amount of held-to-maturity investments. They are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses.

(iv) Available-for-sale financial assets

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial assets *(continued)*

Regular purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets are recognised in the income statement when the Group's right to receive payments is established.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised in investment revaluation reserve are included in the income statement.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of financial assets *(continued)*

(b) Assets classified as available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from investment revaluation reserve and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(m) Inventories

Inventories comprise finished goods and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(n) Trade and other receivables

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in hedging reserve are recycled in the income statement in the financial periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserve at that time remains in hedging reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserve is immediately transferred to the income statement.

Certain derivative financial instruments do not qualify for hedge accounting. These instruments are classified as current or non-current asset or liability according to the settlement dates of the financial instruments. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Share capital

Ordinary shares are classified as equity.

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

(t) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the beneficiary of the guarantee for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Current and deferred taxation

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

(w) Recognition of revenue and income

Revenue comprises the fair value of the consideration for the sale of goods and rendering of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Operating lease rental income is recognised on a straight-line basis over the lease period.

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

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

Warehousing income and other income is recognised when the related services are rendered.

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits

Employee entitlements to annual leave and statutory long service payments are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(y) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses in the financial period in which they are incurred.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the financial period in which the dividends become present legal and constructive obligations of the Company.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks such as foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The majority of the Group's assets are located and operated in Hong Kong, and the related revenue generated from these assets is denominated in Hong Kong Dollars. At 31 December 2010, the Group's borrowings were denominated in Hong Kong Dollars.

The Group is exposed to changes in foreign exchange rates due to its investment in foreign operations, whose net assets are exposed to foreign currency transaction risk.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign exchange risk (continued)

Management monitors exchange rate movements closely to ascertain if any material exposure may arise. The Group regards the foreign exchange risk from fluctuation of currencies other than Singapore Dollars is insignificant.

At 31 December 2010, if Hong Kong Dollars had strengthened or weakened by 5% against Singapore Dollars with all other variables held constant, profit after taxation for the year would have been HK$728,000 (2009: HK$13,000) lower or higher, mainly as a result of foreign exchange losses or gains on translation of bank balances denominated in Singapore Dollars.

At 31 December 2010, if Hong Kong Dollars had strengthened or weakened by 5% against Singapore Dollars with all other variables held constant, equity would have been HK$35,855,000 (2009: HK$16,336,000) lower or higher, mainly as a result of foreign exchange losses or gains on translation of available-for-sale financial assets, interests in associated companies and amounts and loans receivable from associated companies denominated in Singapore Dollars.

(ii) Price risk

The Group is exposed to equity securities price risk because the Group holds available-for-sale financial assets. The Group is not exposed to commodity price risk.

At 31 December 2010, if market value of the Group's available-for-sale financial assets had increased or decreased by 10%, with all other variables held constant, equity would have been HK$31,968,000 (2009: HK$26,335,000) higher or lower.

(iii) Credit risk

The Group's credit risks are primarily attributable to time deposits, rent receivable from tenants and counter-party financial obligations in derivative financial instruments.

The Group's time deposits are deposited with banks and financial institutions of high credit ratings.

The Group has no significant concentration of credit risk. For rent receivable from tenants, credit checks are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate provisions for impairment are made for irrecoverable amounts.

To mitigate counter-party risk, the Group enters into derivative contracts only with sound financial institutions with strong investment-grade credit ratings.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

The Group prepares cash flow forecast on a regular basis to ensure that it has sufficient committed credit facilities at all times to meet its funding needs.

The Group reviews the debt covenants of the bank loans to ensure compliance of those covenants and avoid any interruption to its banking and credit facilities.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
The Group				
At 31 December 2010				
Bank borrowings	**164,017**	**308,928**	**1,681,815**	**—**
Trade and other payables and accruals	**310,908**	**—**	**—**	**—**
Derivative financial instruments	**42,865**	**35,121**	**36,500**	**—**
Other long-term loans	**—**	**—**	**—**	**32,498**
Total	**517,790**	**344,049**	**1,718,315**	**32,498**
At 31 December 2009 (Restated)				
Bank borrowings	385,418	184,595	2,182,892	—
Trade and other payables and accruals	308,503	—	—	—
Derivative financial instruments	40,821	26,255	29,007	—
Other long-term loans	—	—	—	32,498
Total	734,742	210,850	2,211,899	32,498

The amounts disclosed in the table represent the contractual undiscounted cash flows including interest payments, if applicable and may not reconcile to the amounts in the consolidated balance sheet.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(v) Interest rate risk

As the Group has no significant interest-bearing assets (other than bank balances and amounts/loans receivable from associated companies), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure. The Group enters into debt obligations to support general corporate purposes including capital expenditure and working capital needs.

(i) Cash flow interest rate risk

At 31 December 2010, if interest rates on borrowings had been 25 basis points higher or lower with all other variables held constant, profit after taxation for the year would have been HK$1,732,000 (2009: HK$3,200,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

(ii) Fair value interest rate risk

At 31 December 2010, if the interest yield curve for forward interest rates had been shifted up or down by 50 basis points with all other variables held constant:

— profit after taxation for the year would have been HK$853,000 (2009: HK$1,800,000) higher or HK$884,000 (2009: HK$800,000) lower, mainly as a result of gain or loss relating to the portion of changes in the fair value of interest rate swap contracts not qualified for hedge accounting;

— equity would have been HK$17,515,000 (2009: HK$26,200,000) higher or HK$16,539,000 (2009: HK$14,700,000) lower, mainly as a result of an increase or a decrease in the fair value of the effective portion of the cash flow hedges of borrowings as described above.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(vi) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings (including current and non-current bank borrowings) less bank balances and cash.

The gearing ratios at 31 December 2010 and 2009 were as follows:

	31/12/2010 **HK$'000**	31/12/2009 HK$'000 (Restated)
Total bank borrowings	**2,056,850**	2,632,500
Less: Bank balances and cash	**(595,167)**	(172,004)
Net debt	**1,461,683**	2,460,496
Total equity	**9,473,734**	7,026,139
Gearing ratio	**15.4%**	35.0%

The decrease in the gearing ratio was mainly due to reduction of net debt as a result of the disposals of certain investment properties and increase in total equity as a result of the profit attributable to shareholders of the Company in the year.

(b) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Fair value estimation *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010 and 2009.

	Level 1 HK$'000	**Level 2 HK$'000**	**Total HK$'000**
The Group			
As at 31 December 2010			
Assets			
Available-for-sale financial assets	**319,677**	**111,417**	**431,094**
Derivative financial instruments	**—**	**16,000**	**16,000**
	319,677	**127,417**	**447,094**
Liabilities			
Derivative financial instruments	**—**	**114,486**	**114,486**

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
The Group			
As at 31 December 2009			
Assets			
Available-for-sale financial assets	263,348	86,834	350,182
Liabilities			
Derivative financial instruments	—	96,083	96,083

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed outside Hong Kong classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise primarily the derivative financial instruments and unlisted available-for-sale financial assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Fair value of investment properties

The Group's investment properties are revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions by the valuers are reasonable, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(ii) Fair value of available-for-sale financial assets and derivative financial instruments

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Critical judgement in applying the Group's accounting policies

(i) Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

Under HKAS 12 (Amendment), there is a rebuttable presumption that the carrying amount of investment properties using fair value model will be recovered through sale. Accordingly, no provision for deferred tax is made on revaluation of investment properties if there is no capital gain tax. If investment properties would be recovered through use, provision for deferred tax is made on revaluation of investment properties using income tax rate.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(ii) Classification of investment properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property (land or building) is held to earn rental or for capital appreciation rather than for use in the production or supply of goods and services or sale. The Group considers each property separately in making its judgement.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue and other income recognised during the year are as follows:

	Year ended	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Revenue		
Rental and property management	**390,465**	275,849
Warehousing	**13,243**	14,483
	403,708	290,332
Other income		
Dividend income from		
— unlisted investments	**4,024**	7,298
— listed real estate investment trusts	**19,752**	19,888
Interest income on loans to associated companies	**9,387**	8,464
Others	**2,665**	3,098
	35,828	38,748
	439,536	329,080

The Group has determined the following operating segments for the purpose of assessing performance and allocating resources between segments:

- Rental and property management
- Warehousing
- Investment
- Others

Management assesses the performance of the operating segments primarily based on segment profit. Segment profit excludes the effects of the changes in fair value on derivative financial instruments, unallocated income and expenses, finance income, finance costs, share of profits less losses of associated companies and taxation charge.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

Operating segments

	Rental and property management HK$'000	Warehousing HK$'000	Investment HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2010					
Revenue	390,465	13,243	—	—	403,708
Segment results before change in fair value and gains on disposals of investment properties	287,429	281	31,156	—	318,866
Increase in fair value of investment properties	1,799,809	—	—	—	1,799,809
Gains on disposals of investment properties	147,011	—	—	—	147,011
Segment results	2,234,249	281	31,156	—	2,265,686
Fair value gains on derivative financial instruments	959	—	16,000	—	16,959
Unallocated income less expenses					(21,863)
Operating profit before finance income and costs					2,260,782
Finance income	519	—	1	—	520
Finance costs	(73,285)	—	(10)	—	(73,295)
Operating profit					2,188,007
Share of profits less losses of associated companies	(419)	(593)	—	301,300	300,288
Profit before taxation					2,488,295
Taxation charge					(23,437)
Profit for the year					2,464,858
Capital expenditure	37,040	5,135	—	—	42,175
Depreciation	1,912	355	—	—	2,267
At 31 December 2010					
Segment assets	10,872,247	12,103	490,693	—	11,375,043
Interests in associated companies	14,166	3,871	—	482,639	500,676
Amounts and loans receivable from associated companies	11,208	22,330	—	323,987	357,525
Other assets					13,653
Total assets					12,246,897
Segment liabilities	343,082	2,533	26,822	—	372,437
Amounts and loans payable to associated companies	—	—	—	166,789	166,789
Other liabilities					2,233,937
Total liabilities					2,773,163

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

Operating segments *(continued)*

	Rental and property management HK$'000	Warehousing HK$'000	Investment HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2009 (Restated)					
Revenue	275,849	14,483	—	—	290,332
Segment results before change in fair value of investment properties	171,057	1,503	33,766	—	206,326
Increase in fair value of investment properties	339,300	—	—	—	339,300
Segment results	510,357	1,503	33,766	—	545,626
Fair value gains on derivative financial instruments	63,078	—	—	—	63,078
Unallocated income less expenses					(22,333)
Operating profit before finance income and costs					586,371
Finance income	46	—	1	—	47
Finance costs	(63,403)	—	(214)	—	(63,617)
Operating profit					522,801
Share of profits less losses of associated companies	(1)	81	—	(3,178)	(3,098)
Profit before taxation					519,703
Taxation charge					(30,057)
Profit for the year					489,646
Capital expenditure	28,088	838	—	—	28,926
Depreciation	2,113	239	—	—	2,352
At 31 December 2009 (Restated)					
Segment assets	9,411,081	7,268	382,320	—	9,800,669
Interests in associated companies	13,887	4,222	—	162,860	180,969
Amounts and loans receivable from associated companies	11,163	22,330	—	316,845	350,338
Other assets					7,572
Total assets					10,339,548
Segment liabilities	331,899	1,795	2,864	—	336,558
Amounts and loans payable to associated companies	—	—	—	166,789	166,789
Other liabilities					2,810,062
Total liabilities					3,313,409

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

Operating segments *(continued)*

	Rental and property management HK$'000	Warehousing HK$'000	Investment HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009 (Restated)					
Segment assets	9,053,379	6,437	255,361	—	9,315,177
Interests in associated companies	13,749	2,947	—	169,036	185,732
Amounts and loans receivable from associated companies	11,205	22,330	—	281,835	315,370
Other assets					13,559
Total assets					9,829,838
Segment liabilities	312,864	1,624	1,982	—	316,470
Amounts and loans payable to associated companies	—	—	—	166,789	166,789
Other liabilities					2,817,852
Total liabilities					3,301,111

Geographical information

The Group primarily operates in Hong Kong. An analysis of the Group's revenue, segment results and segment assets by geographical location is as follows:

(i) Revenue and segment results

	Revenue		Segment results	
	Year ended		Year ended	
	31/12/2010 HK$'000	31/12/2009 HK$'000	**31/12/2010 HK$'000**	31/12/2009 HK$'000
Hong Kong	**403,708**	290,332	**2,234,140**	518,987
Singapore	**—**	—	**31,546**	26,639
	403,708	290,332	**2,265,686**	545,626
Fair value gains on derivative financial instruments			**16,959**	63,078
Unallocated income less expenses			**(21,863)**	(22,333)
Operating profit before finance income and costs			**2,260,782**	586,371
Finance income			**520**	47
Finance costs			**(73,295)**	(63,617)
Operating profit			**2,188,007**	522,801

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(ii) Segment assets

	Capital expenditure		Non-current assets other than financial instruments and deferred tax assets			Total assets		
	Year ended							
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009	1/1/2009	**31/12/2010**	31/12/2009	1/1/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
				(Restated)	(Restated)		(Restated)	(Restated)
Hong Kong	**42,175**	28,926	**10,496,735**	9,489,846	9,101,381	**11,215,158**	9,744,074	9,374,831
Singapore	**—**	—	**553,417**	198,120	192,007	**984,511**	548,721	409,755
Mainland China	**—**	—	**47,228**	46,753	45,252	**47,228**	46,753	45,252
	42,175	28,926	**11,097,380**	9,734,719	9,338,640	**12,246,897**	10,339,548	9,829,838

6. EXPENSES BY NATURE

	Year ended	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**2,267**	2,352
Direct operating expenses arising from investment properties generating rental income	**76,296**	89,218
Direct operating expenses for generating warehousing income	**5,619**	4,365
Operating lease rentals in respect of land and buildings	**3,698**	3,939
Staff costs (including Directors' emoluments) (Note 9)	**35,051**	32,925
Auditor's remuneration	**1,489**	1,986
Leasing and marketing expenses (excluding staff costs)	**17,519**	11,390
Other expenses	**8,802**	8,049
Total cost of sales, leasing and marketing expenses, administrative expenses and other operating expenses	**150,741**	154,224

7. OTHER GAINS, NET

	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000
Amortised income from held-to-maturity investments (Note 20)	**7,380**	6,052
Net foreign exchange gain	**929**	1,497
Fair value gains on derivative financial instruments	**16,959**	63,078
(Loss)/gain on disposals of property, plant and equipment	**(101)**	2
Realised gains on available-for-sale financial assets	**—**	610
Others	**—**	976
	25,167	72,215

8. FINANCE INCOME AND COSTS

	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000
Finance income		
Interest income on bank deposits and bank balances	**520**	47
Finance costs		
Interest expenses on bank loans and overdrafts	**(73,295)**	(63,617)
Finance costs, net	**(72,775)**	(63,570)

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000
Salaries, wages and other benefits	**33,639**	31,432
Retirement benefits	**1,412**	1,493
	35,051	32,925

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(a) Retirement benefits — defined contribution plans

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Two subsidiaries operate in a country which has a central government administrated retirement scheme. Contributions are made by the Group as a percentage of employees' relevant salaries. The retirement benefit costs charged to the income statement represent contributions by the Group in respect of the above retirement schemes.

Contributions totalling HK$340,000 (2009: HK$115,000) were payable to the schemes at the balance sheet date and are included in trade and other payables and accruals.

(b) Directors' emoluments

	Fees	Salaries and allowances	Discretionary bonuses	Retirement benefits	Year ended 31/12/2010	Year ended 31/12/2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. Chow Wai Wai, John	40	2,687	1,343	271	4,341	3,739
Mrs. Chen Chou Mei Mei, Vivien	40	410	—	22	472	472
Mr. Chung Hon Sing, John	40	697	50	—	787	780
Mr. Au Hing Lun, Dennis	40	—	—	2	42	42
	160	3,794	1,393	295	5,642	5,033
Non-Executive Directors						
Dr. Cheng Wai Chee, Christopher	1,800	—	—	—	1,800	1,800
Mr. Cheng Wai Sun, Edward	40	—	—	—	40	40
	1,840	—	—	—	1,840	1,840
Independent Non-Executive Directors						
Lord Sandberg	40	—	—	—	40	40
Mr. Christopher Patrick Langley	215	—	—	—	215	250
Dr. Lo Ka Shui	100	—	—	—	100	110
Mr. Haider Hatam Tyebjee Barma	215	—	—	—	215	225
	570	—	—	—	570	625
Total	2,570	3,794	1,393	295	8,052	7,498

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: two) Directors whose emoluments are reflected in note 9(b). The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	Year ended 31/12/2010 HK$'000	Year ended 31/12/2009 HK$'000
Salaries and allowances	**4,848**	4,663
Discretionary bonuses	**1,885**	1,085
Retirement benefits	**234**	226
	6,967	5,974

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

	Number of individuals Year ended 31/12/2010	Number of individuals Year ended 31/12/2009
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	2
HK$2,500,001 – HK$3,000,000	**1**	—
	3	3

10. TAXATION CHARGE

	Year ended 31/12/2010 HK$'000	Year ended 31/12/2009 HK$'000 (Restated)
Current taxation		
Hong Kong profits tax	**(24,492)**	(15,005)
Overseas taxation	**(312)**	(198)
(Under)/over provision in prior years	**(4,167)**	688
	(28,971)	(14,515)
Deferred taxation (Note 30)		
Other temporary differences	**5,534**	(15,542)
	(23,437)	(30,057)

10. TAXATION CHARGE *(continued)*

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits for the year at rates prevailing in the countries in which the subsidiaries operate.

The Group's share of taxation charge of associated companies for the year ended 31 December 2010 of HK$62,184,000 (2009: taxation credit of HK$372,000) has been netted off against the Group's share of profits less losses of associated companies as presented in the income statement.

The taxation on the Group's operating profit differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	Year ended	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
		(Restated)
Operating profit	**2,188,007**	522,801
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**(361,021)**	(86,262)
Effect of different taxation rates in other countries	**(122)**	102
Income not subject to taxation	**329,958**	62,258
Expenses not deductible for taxation purposes	**(80)**	(3)
Recognition of previously unrecognised tax losses	**11,413**	5,335
Tax loss and other temporary differences not recognised	**—**	(11,413)
(Under)/over provision in prior years	**(4,167)**	688
Others	**582**	(762)
Taxation charge	**(23,437)**	(30,057)

No taxation charge is in relation to components of other comprehensive income (2009: Nil).

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK$391,272,000 (2009: HK$291,533,000) (Note 32).

12. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of the Company for the year of HK$2,460,044,000 (2009 (Restated): HK$484,757,000) and 259,685,288 shares (2009: 259,685,288 shares) in issue during the year.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during the year (2009: Nil).

13. DIVIDENDS

	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000
Interim dividend, paid, of HK$0.16 (2009: HK$0.12) per share	**41,550**	31,162
Special dividend, declared, of HK$1.00 (2009: Nil) per share	**259,685**	—
Final dividend, proposed, of HK$0.42 (2009: HK$0.38) per share	**109,068**	98,680
	410,303	129,842

At a meeting held on 30 March 2011, the Directors declared a special dividend of HK$1 per share and recommended a final dividend of HK$0.42 per share. These dividends are not reflected as dividends payable in the Group's financial statements, and will be reflected as appropriations of reserves in the year 2011.

14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Transactions with related parties

	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000
Interest income from associated companies (Note i)	**9,387**	8,464
Project management fee to a related company (Note ii)	**(280)**	(962)
Rental and management fee income from related companies (Note iii)	**18,412**	17,193

(i) Except for an aggregate amount due from associated companies of HK$104,682,000 (2009: HK$149,397,000) which was interest-free, interest was charged on amounts and loans receivable from associated companies at rates as agreed between the mutual parties.

(ii) The project management fee was charged pursuant to the agreement entered into between the Group and the related company.

(iii) The rental and management fee income was charged at rates pursuant to the agreements entered into between the Group and the related companies.

14. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	31/12/2010 HK$'000	31/12/2009 HK$'000
Amounts and loans receivable from associated companies (Note i)	**357,525**	350,338
Amounts and loans payable to associated companies (Note i)	**(166,789)**	(166,789)
Amounts due from fellow subsidiaries (included in trade and other receivables) (Note ii)	**41**	586
Amounts and loans due to the investee company (Note i)	**(16,646)**	(13,464)

(i) Except for amounts and loans receivable from certain associated companies which are interest-bearing, balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(ii) The amounts due from fellow subsidiaries are unsecured, interest-free and repayable in accordance with the terms of the tenancy agreements.

15. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Plant and machinery HK$'000	**Leasehold improvements furniture, fixtures and office equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
At cost				
At 1 January 2010	**1,038**	**12,001**	**2,304**	**15,343**
Translation differences	**—**	**—**	**36**	**36**
Additions	**—**	**5,594**	**—**	**5,594**
Disposals	**—**	**(365)**	**(1,000)**	**(1,365)**
At 31 December 2010	**1,038**	**17,230**	**1,340**	**19,608**
Accumulated depreciation				
At 1 January 2010	**924**	**4,375**	**1,562**	**6,861**
Translation differences	**—**	**—**	**27**	**27**
Charge for the year	**35**	**2,007**	**225**	**2,267**
Disposals	**—**	**(46)**	**(750)**	**(796)**
At 31 December 2010	**959**	**6,336**	**1,064**	**8,359**
Net book value				
At 31 December 2010	**79**	**10,894**	**276**	**11,249**

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Group			
	Plant and machinery HK$'000	Leasehold improvements furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost				
At 1 January 2009	1,038	4,617	2,273	7,928
Translation differences	—	6	31	37
Additions	—	8,226	—	8,226
Disposals	—	(848)	—	(848)
At 31 December 2009	1,038	12,001	2,304	15,343
Accumulated depreciation				
At 1 January 2009	886	3,323	1,111	5,320
Translation differences	—	6	24	30
Charge for the year	38	1,887	427	2,352
Disposals	—	(841)	—	(841)
At 31 December 2009	924	4,375	1,562	6,861
Net book value				
At 31 December 2009	114	7,626	742	8,482

16. INVESTMENT PROPERTIES

	Group	
	31/12/2010 HK$'000	31/12/2009 HK$'000
Beginning of the year	**9,194,930**	8,834,930
Additions	**36,581**	20,700
Disposals	**(803,390)**	—
Fair value gain	**1,799,809**	339,300
End of the year	**10,227,930**	9,194,930

16. INVESTMENT PROPERTIES *(continued)*

The carrying amount of investment properties shown above comprises:

	Group	
Leasehold land in Hong Kong	**31/12/2010 HK$'000**	31/12/2009 HK$'000
Long-term lease	**1,100,000**	994,000
Medium-term lease	**9,127,930**	8,200,930
	10,227,930	9,194,930

(a) Investment properties (other than agricultural lots) held in Hong Kong were revalued at 31 December 2010 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 December 2010 by B. I. Appraisals Limited. All valuers are independent and their valuations were carried out on the open market value basis. The valuations have made reference to current prices in an active market.

(b) As at 31 December 2010, certain investment properties with a carrying amount of HK$10,089,100,000 (2009: HK$9,169,670,000) have been pledged to secure the Group's banking facilities.

17. SUBSIDIARIES

	Company	
	31/12/2010 HK$'000	31/12/2009 HK$'000
Unlisted shares — at cost	**1**	1
Loans and amounts receivable	**3,547,058**	3,392,195
Less: Provision	**(296,302)**	(391,498)
	3,250,757	3,000,698

(a) The loans and amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

(b) Particulars of the subsidiaries are set out on pages 90 to 91.

18. ASSOCIATED COMPANIES

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Share of net assets	**500,676**	180,969
Amounts and loans receivable (Note a)	**357,525**	350,338
Amounts and loans payable (Note b)	**(166,789)**	(166,789)
	691,412	364,518
Investments at cost — unlisted shares	**11,308**	11,308

The movements of interests in associated companies are as follows:

	31/12/2010	31/12/2009
	HK$'000	HK$'000
Beginning of the year	**364,518**	334,313
Translation differences	**62,363**	2,321
Share of profits less losses of associated companies	**300,288**	(3,098)
Distribution by an associated company	**—**	(3,096)
Interest income on loans to associated companies	**9,387**	8,464
Loans to associated companies	**2,800**	26,000
Repayment and advances from associated companies	**(47,944)**	(386)
End of the year	**691,412**	364,518

The share of assets, liabilities and results of the associated companies attributable to the Group is summarised as follows:

	31/12/2010	31/12/2009
	HK$'000	HK$'000
Non-current assets	**220,762**	1,452,965
Current assets	**779,718**	135,873
Current liabilities	**(113,500)**	(648,016)
Non-current liabilities	**(386,304)**	(759,853)
	500,676	180,969

18. ASSOCIATED COMPANIES *(continued)*

	Year ended 31/12/2010 HK$'000	31/12/2009 HK$'000
Revenue	**1,090,401**	10,031
Profits less losses after taxation	**300,288**	(3,098)

(a) The amounts and loans receivable are denominated in the following currencies:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Singapore Dollars	**246,548**	194,608
Hong Kong Dollars	**84,306**	129,120
Renminbi	**26,671**	26,610
	357,525	350,338

The amounts and loans receivable are unsecured, and have no fixed terms of repayment. Except for an aggregate amount of HK$104,682,000 (2009: HK$149,397,000) which is interest-free, the amounts and loans receivable carry interests at agreed rates between the parties.

(b) The amounts and loans payable are unsecured, denominated in Hong Kong Dollars, interest-free and have no fixed terms of repayment.

(c) Particulars of the associated companies are set out on page 92.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	31/12/2010 HK$'000	31/12/2009 HK$'000
Available-for-sale financial assets comprise:		
Real estate investment trust listed outside Hong Kong	**319,677**	263,348
Unlisted equities	**111,417**	86,834
	431,094	350,182

(a) Available-for-sale financial assets are denominated in Singapore Dollars and carried at fair value.

(b) Certain real estate investment trust units with a carrying amount of HK$265,398,000 (2009: HK$176,531,000) were pledged to secure the Group's banking facilities.

20. HELD-TO-MATURITY INVESTMENTS

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Beginning of the year	**30,997**	25,445
Amortised to the income statement (Note 7)	**7,380**	6,052
Coupon received	**(500)**	(500)
End of the year	**37,877**	30,997

The held-to-maturity investments represent 1% convertible bonds due 2013 with nominal amounts of HK$50,000,000 issued by a real estate investment trust in Hong Kong. The bonds are unlisted and denominated in Hong Kong Dollars. The effective interest rate for the purpose of calculating the amortised interest income from the bonds is about 23% per annum.

21. GOODWILL

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
		(Restated)
Beginning of the year		
As previously reported	**57,807**	57,807
Prior year adjustment (Note 2(b))	**(57,807)**	(57,807)
As restated	**—**	—
End of the year	**—**	—

22. INVENTORIES

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Finished goods	**58**	—

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**8,688**	10,215	**—**	—
Less: Provision for impairment of receivables (Note c)	**—**	—	**—**	—
Trade receivables, net of provisions (Note a)	**8,688**	10,215	**—**	—
Deferred rent receivables	**18,627**	7,964	**—**	—
Other receivables	**13,877**	8,976	**781**	321
Deposits	**9,162**	10,373	**34**	37
Prepayments	**5,314**	6,546	**229**	264
	55,668	44,074	**1,044**	622

(a) Trade receivables represent mainly rent receivables from tenants of the Group's properties. The Group maintains a defined policy in respect of rent collection. The credit quality of a new lease or customer is assessed based on a defined policy set by the Group. Reminders are issued half-monthly when rents are overdue for 15 days, and legal actions will be taken when rents are overdue for two months. The ageing analysis of trade receivables (net of provisions) is as follows:

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Current to 30 days	**2,480**	1,747
31 to 90 days	**5,416**	7,570
Over 90 days	**792**	898
	8,688	10,215

23. TRADE AND OTHER RECEIVABLES *(continued)*

(b) The trade receivables, net of provisions, of HK$8,688,000 (2009: HK$10,215,000) were past due but not impaired. These relate to a number of independent customers having good track records and there is no recent history of default, and the majority of the debts are covered by the rental deposits received as set out in note 25.

(c) The individually impaired receivables were fully provided for, which are insignificant to the Group and the movements on the provision for impairment of trade receivables are as follows:

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Beginning of the year	**—**	145
Provision	**22**	40
Receivables written off	**(22)**	(185)
End of the year	**—**	—

(d) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars	**55,643**	44,056	**1,044**	622
Singapore Dollars	**25**	18	**—**	—
	55,668	44,074	**1,044**	622

24. BANK BALANCES AND CASH

	Group		Company	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**30,007**	34,244	**101**	27
Short-term bank deposits	**565,160**	137,760	**—**	—
	595,167	172,004	**101**	27
Maximum exposure to credit risk	**595,000**	171,825	**101**	27

Short-term bank deposits for the year ended 31 December 2010 have an average effective interest rate of 0.76% (2009: 0.1%) per annum and an average maturity of 22 days (2009: 9 days).

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

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Hong Kong Dollars	**576,524**	170,520
Singapore Dollars	**17,280**	672
United States Dollars	**1,363**	812
	595,167	172,004

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**7,957**	7,449	**—**	—
Other payables	**169,433**	189,178	**1,038**	623
Deposits received	**109,123**	73,160	**—**	—
Accruals	**24,395**	38,716	**697**	1,599
	310,908	308,503	**1,735**	2,222

25. TRADE AND OTHER PAYABLES AND ACCRUALS *(continued)*

The ageing analysis of trade payables is as follows:

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Current to 30 days	**4,016**	4,980
31 to 90 days	**3,620**	1,834
Over 90 days	**321**	635
	7,957	7,449

The carrying amounts of trade and other payables and accruals are denominated in the following currencies:

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Hong Kong Dollars	**306,779**	305,564
Singapore Dollars	**4,129**	2,939
	310,908	308,503

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	Assets		Liabilities	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest rate swap contracts (Note (a))				
— cash flow hedges	**—**	—	**108,557**	89,195
— not qualifying as hedges	**—**	—	**5,929**	6,888
	—	—	**114,486**	96,083
Derivative component in convertible bonds (Note (b))	**16,000**	—	**—**	—
	16,000	—	**114,486**	96,083
Analysed as:				
Current	**—**	—	**42,865**	40,821
Non-current	**16,000**	—	**71,621**	55,262
	16,000	—	**114,486**	96,083

26. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(a) Interest rate swap contracts

The aggregate notional principal amount of the interest rate swap contracts is HK$1,000,000,000 (2009: HK$1,000,000,000). The portion of changes in the fair value of interest rate swap contracts not qualifying as hedges is recognised in the income statement and amounted to a gain of HK$959,000 (2009: HK$63,078,000).

(b) Derivative component in convertible bonds

The convertible bonds held as held-to-maturity investments contained a conversion feature and the fair value of HK$16,000,000 at 31 December 2010 was valued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers.

The fair value of convertible options was estimated as at 31 December 2010, using a binomial model, taking into account the relevant terms and conditions upon which the options were granted and the key assumptions as below.

Expected volatility	35%
Expected dividend yield	4.5%
Expected life of the options	2.42 years
Risk free rate	0.8%

27. SHORT-TERM BANK LOANS

	Group		
	31/12/2010	31/12/2009	1/1/2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Bank loans repayable on demand or within one year			
— secured	**—**	255,000	682,779
— unsecured	**—**	—	10,000
	—	255,000	692,779
Current portion of long-term bank loans (Note 28)	**136,250**	102,250	161,664
	136,250	357,250	854,443

28. LONG-TERM BANK LOANS

	Group		
	31/12/2010	31/12/2009	1/1/2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Bank loans, secured	**2,056,850**	2,377,500	1,875,161
Less: Amount repayable within one year included under current liabilities (Note 27)	**(136,250)**	(102,250)	(161,664)
	1,920,600	2,275,250	1,713,497
The bank loans are repayable as follows:			
Within one year	**136,250**	102,250	161,664
In the second year	**283,000**	160,250	223,552
In the third to fifth years inclusive	**1,637,600**	2,115,000	1,446,057
After the fifth year	**—**	—	43,888
	2,056,850	2,377,500	1,875,161

All bank loans are denominated in Hong Kong Dollars. The Group's bank loans are secured by certain investment properties and available-for-sale financial assets with a carrying amount of HK$10,089,100,000 (2009: HK$9,169,670,000) and HK$265,398,000 (2009: HK$176,531,000) respectively.

The bank loans have an average effective interest rate of 1.35% (2009: 1.07%) per annum. The carrying amounts of bank loans approximate their fair values. The exposure of the Group's bank loans to interest-rate changes and the contractual repricing dates is less than 6 months (2009: 6 months).

29. OTHER LONG-TERM LOANS

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Amounts due to non-controlling shareholders of subsidiaries	**32,498**	32,498

The loans are denominated in Hong Kong Dollars, unsecured, interest-free and expected not to be repaid within one year.

The carrying amounts of the other long-term loans approximate their fair values.

30. DEFERRED TAXATION

	Group	
	31/12/2010 **HK$'000**	31/12/2009 HK$'000 (Restated)
Beginning of the year		
As previously reported	**918,407**	846,881
Prior year adjustment (Note 2(b))	**(875,195)**	(819,211)
As restated	**43,212**	27,670
(Credited)/charged to the income statement (Note 10)	**(5,534)**	15,542
End of the year	**37,678**	43,212

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable. The Group does not have unrecognised tax losses (2009: HK$69,171,000) to carry forward against future taxable income.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Group Tax losses	
	31/12/2010 **HK$'000**	31/12/2009 HK$'000
Beginning of the year	**90,385**	30,442
Credited to the income statement	**12,750**	59,943
End of the year	**103,135**	90,385

30. DEFERRED TAXATION *(continued)*

Deferred tax liabilities

	Group					
	Accelerated depreciation		Revaluation of properties		Total	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(Restated)		(Restated)
Beginning of the year						
As previously reported	**133,597**	58,112	**875,195**	819,211	**1,008,792**	877,323
Prior year adjustment (Note 2(b))	**—**	—	**(875,195)**	(819,211)	**(875,195)**	(819,211)
As restated	**133,597**	58,112	**—**	—	**133,597**	58,112
Charged to the income statement	**7,216**	75,485	**—**	—	**7,216**	75,485
End of the year	**140,813**	133,597	**—**	—	**140,813**	133,597

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		
	31/12/2010	31/12/2009	1/1/2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Deferred tax assets	**(13,653)**	(7,572)	(13,559)
Deferred tax liabilities	**51,331**	50,784	41,229
	37,678	43,212	27,670

31. SHARE CAPITAL

	Ordinary shares of HK$0.01 each	
	No. of shares	**HK$'000**
Authorised:		
At 31 December 2010 and 31 December 2009	**750,000,000**	**7,500**
Issued and fully paid:		
At 31 December 2010 and 31 December 2009	**259,685,288**	**2,596**

32. RESERVES

	Group						
	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation account HK$'000	Hedging reserve HK$'000	Retained earnings HK$'000	Dividends HK$'000	Total HK$'000
At 1 January 2010							
As previously reported	519,783	256,867	7,483	(89,195)	5,387,467	98,680	6,181,085
Prior year adjustment (Note 2(b))	—	—	—	—	816,106	—	816,106
As restated	519,783	256,867	7,483	(89,195)	6,203,573	98,680	6,997,191
Exchange translation differences	—	—	59,895	—	—	—	59,895
Fair value gains on available-for-sale financial assets	—	82,749	—	—	—	—	82,749
Fair value losses on cash flow hedges	—	—	—	(63,789)	—	—	(63,789)
Realised upon settlement of interest rate swap contracts	—	—	—	44,427	—	—	44,427
Profit for the year	—	—	—	—	2,460,044	—	2,460,044
Prior year final dividend paid	—	—	—	—	—	(98,680)	(98,680)
Interim dividend paid (Note 13)	—	—	—	—	(41,550)	—	(41,550)
Special dividend declared (Note 13)	—	—	—	—	(259,685)	259,685	—
Final dividend proposed (Note 13)	—	—	—	—	(109,068)	109,068	—
	—	82,749	59,895	(19,362)	2,049,741	270,073	2,443,096
At 31 December 2010	519,783	339,616	67,378	(108,557)	8,253,314	368,753	9,440,287
Representing:							
Special dividend declared (Note 13)	—	—	—	—	—	259,685	259,685
Final dividend proposed (Note 13)	—	—	—	—	—	109,068	109,068
Others	519,783	339,616	67,378	(108,557)	8,253,314	—	9,071,534
At 31 December 2010	519,783	339,616	67,378	(108,557)	8,253,314	368,753	9,440,287

32. RESERVES *(continued)*

	Group						
	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation account HK$'000	Hedging reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2009							
As previously reported	649,625	112,348	7,621	(72,260)	4,958,228	88,293	5,743,855
Prior year adjustment (Note 2(b))	—	—	—	—	760,588	—	760,588
As restated	649,625	112,348	7,621	(72,260)	5,718,816	88,293	6,504,443
Exchange translation differences	—	—	(138)	—	—	—	(138)
Fair value gains on available-for-sale financial assets	—	144,519	—	—	—	—	144,519
Fair value losses on cash flow hedges	—	—	—	(56,621)	—	—	(56,621)
Realised upon settlement of interest rate swap contracts	—	—	—	39,686	—	—	39,686
Profit for the year	—	—	—	—	484,757	—	484,757
Prior year final dividend paid	—	—	—	—	—	(88,293)	(88,293)
Interim dividend paid (Note 13)	(31,162)	—	—	—	—	—	(31,162)
Final dividend proposed (Note 13)	(98,680)	—	—	—	—	98,680	—
	(129,842)	144,519	(138)	(16,935)	484,757	10,387	492,748
At 31 December 2009 (Restated)	519,783	256,867	7,483	(89,195)	6,203,573	98,680	6,997,191
Representing:							
Final dividend proposed (Note 13)	—	—	—	—	—	98,680	98,680
Others	519,783	256,867	7,483	(89,195)	6,203,573	—	6,898,511
At 31 December 2009 (Restated)	519,783	256,867	7,483	(89,195)	6,203,573	98,680	6,997,191

32. RESERVES *(continued)*

	Company			
	Contributed surplus HK$'000	Retained earnings HK$'000	Dividends HK$'000	Total HK$'000
At 1 January 2010	**2,591,269**	**306,580**	**98,680**	**2,996,529**
Profit for the year (Note 11)	**—**	**391,272**	**—**	**391,272**
Prior year final dividend paid	**—**	**—**	**(98,680)**	**(98,680)**
Interim dividend paid (Note 13)	**—**	**(41,550)**	**—**	**(41,550)**
Special dividend declared (Note 13)	**—**	**(259,685)**	**259,685**	**—**
Final dividend proposed (Note 13)	**—**	**(109,068)**	**109,068**	**—**
At 31 December 2010	**2,591,269**	**287,549**	**368,753**	**3,247,571**
Representing:				
Special dividend declared (Note 13)	**—**	**—**	**259,685**	**259,685**
Final dividend proposed (Note 13)	**—**	**—**	**109,068**	**109,068**
Others	**2,591,269**	**287,549**	**—**	**2,878,818**
At 31 December 2010	**2,591,269**	**287,549**	**368,753**	**3,247,571**
At 1 January 2009	2,721,111	15,047	88,293	2,824,451
Profit for the year (Note 11)	—	291,533	—	291,533
Prior year final dividend paid	—	—	(88,293)	(88,293)
Interim dividend paid (Note 13)	(31,162)	—	—	(31,162)
Final dividend proposed (Note 13)	(98,680)	—	98,680	—
At 31 December 2009	2,591,269	306,580	98,680	2,996,529
Representing:				
Final dividend proposed (Note 13)	—	—	98,680	98,680
Others	2,591,269	306,580	—	2,897,849
At 31 December 2009	2,591,269	306,580	98,680	2,996,529

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the contributed surplus of the Company is available for distribution to shareholders in addition to retained earnings, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

33. FUTURE LEASE RECEIPTS

Future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Not later than one year	**392,298**	292,747
Later than one year and not later than five years	**631,799**	326,537
	1,024,097	619,284

34. CAPITAL COMMITMENTS

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Investments in associated companies		
Contracted but not provided for	—	484,425

35. LEASE COMMITMENTS

The Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	Group	
	31/12/2010	31/12/2009
	HK$'000	HK$'000
Not later than one year	**3,510**	1,969
Later than one year and not later than five years	**1,755**	—
	5,265	1,969

36. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group and the Company is analysed as follows:

	Group		Company	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of banking facilities granted to subsidiaries (Note ii)	**—**	—	**3,795,452**	4,214,738
Guarantees/completion undertakings given severally in respect of banking facilities granted to associated companies in proportion to the Group's respective equity interests (Note iii)	**—**	551,336	**—**	551,336
	—	551,336	**3,795,452**	4,766,074

(i) The Directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date. All of the financial guarantee contracts as disclosed above have not been recognised in the financial statements of the Group and the Company as the Directors of the Company consider that the fair values of these contracts are not significant to the Group.

(ii) The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$3,795,452,000 (2009: HK$4,214,738,000), of which HK$2,056,850,000 (2009: HK$2,632,500,000) have been utilised by the subsidiaries.

(iii) There was no outstanding obligation in respect of guarantees/completion undertakings executed in favour of banks in respect of facilities granted to associated companies as at 31 December 2010 (2009: HK$551,336,000 of which HK$408,017,000 has been utilised by the associated companies).

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash generated from operations

	Year ended 31/12/2010 HK$'000	Year ended 31/12/2009 HK$'000
Profit before taxation	**2,488,295**	519,703
Share of profits less losses of associated companies	**(300,288)**	3,098
Finance costs	**73,295**	63,617
Finance income	**(520)**	(47)
Amortised income from held-to-maturity investments	**(7,380)**	(6,052)
Fair value gains on derivative financial instruments	**(16,959)**	(63,078)
Loss/(gain) on disposals of property, plant and equipment	**101**	(2)
Realised gains on available-for-sale financial assets	**—**	(610)
Gains on disposals of investment properties	**(147,011)**	—
Increase in fair value of investment properties	**(1,799,809)**	(339,300)
Dividend income	**(23,776)**	(27,186)
Interest income on loans to associated companies	**(9,387)**	(8,464)
Depreciation of property, plant and equipment	**2,267**	2,352
Operating profit before working capital changes	**258,828**	144,031
(Increase)/decrease in trade and other receivables	**(2,565)**	3,588
Increase in inventories	**(58)**	—
(Decrease)/increase in trade and other payables and accruals	**(23,151)**	55,839
Net cash generated from operations	**233,054**	203,458

(b) Analysis of changes in financing

	Non-controlling interests		Bank and other loans	
	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	**31/12/2010 HK$'000**	31/12/2009 HK$'000
Beginning of the year				
As previously reported	**25,070**	20,872	**2,664,998**	2,600,438
Prior year adjustment (Note 2(b))	**1,282**	816	**—**	—
As restated	**26,352**	21,688	**2,664,998**	2,600,438
Non-controlling interests in share of profit	**4,814**	4,889	**—**	—
Dividends paid to non-controlling shareholders	**(315)**	(225)	**—**	—
Net cash (outflow)/inflow from financing	**—**	—	**(575,650)**	64,560
End of the year	**30,851**	26,352	**2,089,348**	2,664,998

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Analysis of bank and other loans

	31/12/2010	31/12/2009
	HK$'000	HK$'000
		(Restated)
Bank loans repayable on demand or within one year (Note 27)	**—**	255,000
Long-term bank loans (Note 28)	**2,056,850**	2,377,500
Other long-term loans (Note 29)	**32,498**	32,498
	2,089,348	2,664,998

(d) Major non-cash transactions

(i) During the year, the Group acquired an investment property for a cash consideration of HK$31,699,000, of which HK$25,359,000 was included in trade and other payables and accruals at year end.

(ii) During the year, the Group disposed of certain investment properties for an aggregate cash consideration of HK$958,968,000, of which HK$8,971,000 was included in trade and other receivables at year end.

38. COMPARATIVE AMOUNTS

As further explained in note 2(b) to the financial statements, due to the adoption of HK-Int 5 and early adoption of HKAS 12 (Amendment) during the current year, the comparatives of certain items and balances in the financial statements have been restated to conform with the current year's presentation and accounting treatment.

Subsidiaries and Associated Companies

Name of subsidiary	Issued share capital			Percentage of shareholding held at 31 December 2010 Group	Company	Principal activities	Note
Winsor Properties Finance Ltd.	Ordinary	HK$	2	100	100	Group finance company	
Winsor Properties (Hong Kong) Ltd., B.V.I.	Ordinary	US$	1	100	100	Investment holding	
Access Rich Ltd.	Ordinary	HK$	1	100	—	Property investment	
Adam Knitters Ltd.	Ordinary	HK$	1,000	100	—	Property investment	3
	Deferred	HK$	200,000	—	—		
Allied Effort Ltd., B.V.I.	Ordinary	US$	1	100	—	Investment holding	
Winnion Ltd.	Ordinary	HK$	100	100	—	Property investment	
Baudinet Investment Ltd.	Ordinary	HK$	18	100	—	Property investment	3
	Deferred	HK$	2	—	—		
Begin Land Ltd.	Ordinary	HK$	90,000	100	—	Property investment	3
	Deferred	HK$	10,000	—	—		
Congenial Investments Ltd., B.V.I.	Ordinary	US$	1	100	—	Investment	
East Sun Estate Management Company Ltd.	Ordinary	HK$	200	100	—	Property management	
East Sun Textile Company, Ltd.	Ordinary	HK$	20	100	—	Dormant	3
	Deferred	HK$	15,000,000	—	—		
Grandeur Investments Ltd., B.V.I.	Ordinary	US$	1	100	—	Property investment	
Hilwin Properties Ltd.	Ordinary	HK$	450,000	100	—	Investment holding	3
	Deferred	HK$	50,000	—	—		
Winsor Storage Ltd.	Ordinary	HK$	10,000	100	—	Wine storage	
Libro Estates Ltd.	Ordinary	HK$	90,000	100	—	Dormant	3
	Deferred	HK$	10,000	—	—		
Unimix Properties Ltd.	Ordinary	HK$	200	100	—	Dormant	
Winner Godown Ltd.	Ordinary	HK$	1,500,000	70	—	Godown operation	
Winsor Air Cargo Centre Ltd.	Ordinary	HK$	20	100	—	Dormant	
Winsor Billion Management Ltd.	Ordinary	HK$	1	100	—	Property management	

Subsidiaries and Associated Companies *(continued)*

Name of subsidiary	Issued share capital			Percentage of shareholding held at 31 December 2010 Group	Company	Principal activities	Note
Winsor Estate Agents Ltd.	Ordinary	HK$	20	100	—	Property agent	
Winsor Estate Management Ltd.	Ordinary	HK$	2	100	—	Property management	
Winsor Parking Ltd.	Ordinary	HK$	18,000,000	100	—	Property investment	3
	Deferred	HK$	2,000,000	—	—		
Winsor Properties Financial Services Ltd.	Ordinary	HK$	840	95.24	—	Investment holding and property investment	
Chericourt Company Ltd.	Ordinary	HK$	1,000,000	95.24	—	Property investment	
Zofka Properties Ltd.	Ordinary	HK$	90,000	100	—	Property investment	3
	Deferred	HK$	10,000	—	—		
Winsor Properties (Overseas) Ltd., B.V.I.	Ordinary	US$	1	100	100	Investment holding	
Zak Holdings Ltd., B.V.I.	Ordinary	US$	1	100	—	Investment holding	
Winwin Investment Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Dormant	2
Curlew International Ltd., B.V.I.	Ordinary	US$	1	100	—	Investment holding	
Winprop Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Investment holding	2
Winsor Properties (China) Ltd., B.V.I.	Ordinary	US$	1	100	100	Investment holding	
Dhandia Ltd.	Ordinary	HK$	1,000	100	—	Investment holding	
Tat Yeung Properties Investment Ltd., B.V.I.	Ordinary	US$	1,000	100	—	Investment holding	

Name of associated company	Issued share capital			Percentage of shareholding held at 31 December 2010 Group	Company	Principal activities	Note
China Merchants Cold Chain Logistics (China) Co., Ltd., B.V.I.	Ordinary	US$	1,000	30	—	Investment holding	
China Merchants Cold Chain Logistics (Hong Kong) Co. Ltd.	Ordinary	HK$	1	30	—	Investment holding	
China Merchants International Cold Chain (Shenzhen) Co. Ltd. (foreign wholly-owned enterprise), Mainland China	Ordinary	US$	5,000,000	30	—	Cold storage	
Javary Ltd.	Ordinary	HK$	300	33.3	—	Property investment	2
Pangold Development Ltd.	Ordinary	HK$	100	20	—	Property development	
Suzhou World Trade Centre, Mainland China	Ordinary	US$	6,500,000	24.8	—	Property investment and development	2
Tat Yeung Trading Company Ltd., B.V.I.	Ordinary	US$	2	50	—	Investment holding	
Universal Plus Ltd, B.V.I.	Ordinary	US$	100	20	—	Investment holding	
Winquest Investment Pte. Ltd., Singapore	Ordinary	SGD	1,000,000	30	—	Property development	
Winwill Investment Pte Ltd., Singapore	Ordinary	SGD	10	20	—	Investment holding	

Notes:

1. Unless stated otherwise, all companies are incorporated in Hong Kong. Those companies incorporated in Mainland China and Singapore operate in their country of incorporation. Other companies operate principally in Hong Kong. None of the subsidiaries have issued any debt securities.

2. The financial statements of these companies are audited by firms other than PricewaterhouseCoopers. The aggregate net assets and profit after taxation of these companies attributable to the Group amounted to HK$22,974,000 (2009: HK$28,787,000) and HK$10,112,000 (2009: HK$5,891,000) respectively.

3. The deferred shares, which are held by Winsor Industrial Corporation, Limited and/or its subsidiaries, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up unless the assets of the respective companies to be returned on winding up exceed the value of HK$100,000,000,000.

Schedule of Properties

Location	Lease Expiry	Site Area (sq. ft.)	Gross Floor Area (sq. ft.)	Type	Effective Interest
Landmark East, 100 How Ming Street, The Remaining Portion of Kwun Tong Inland Lot No. 242, Kwun Tong, Kowloon, HONG KONG.	2047	85,585	1,335,445	Commercial/ Office	100%
Regent Centre, 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, The Remaining Portion of Lot No. 299 in D. D. No. 444, Kwai Chung, New Territories, HONG KONG.	2047	103,500	674,635 (remaining portion)	Industrial/ Godown	95.24%
Shui Hing Centre, 13 Sheung Yuet Road, New Kowloon Inland Lot No. 5890 Kowloon Bay, Kowloon, HONG KONG.	2047	18,256	186,827	Industrial/ Godown	100%
W Square, 314–324 Hennessy Road, The Remaining Portion and Section D of Marine Lot No. 122, Wanchai, HONG KONG.	2859	7,652	128,658	Commercial/ Office	100%
Winner Godown Building, 503–515 Castle Peak Road and 1–9 Sha Tsui Road, The Remaining Portion of Tsuen Wan Inland Lot No. 28, Tsuen Wan, New Territories, HONG KONG.	2047	50,804	497,140	Industrial/ Godown	100%
161 agricultural lots, Lantau and Peng Chau, New Territories, HONG KONG.	2047	540,167	—	Agricultural	100%

Five Years Financial Summary

Group Results

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000 (Restated)	Year ended 31 December 2008 HK$'000 (Restated)	9 months ended 31 December 2007 HK$'000 (Restated)	Year ended 31 March 2007 HK$'000 (Restated)
Revenue	**403,708**	290,332	232,645	119,097	304,103
Profit attributable to shareholders of the Company	**2,460,044**	484,757	92,130	957,766	907,043

Summary Consolidated Balance Sheet

	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	31 December 2008 HK$'000 (Restated)	31 December 2007 HK$'000 (Restated)	31 March 2007 HK$'000 (Restated)
Non-current assets	**11,596,004**	10,123,470	9,594,251	8,594,076	5,721,043
Net current assets/(liabilities)	**120,569**	(516,748)	(1,005,665)	(740,952)	539,617
Total assets less current liabilities	**11,716,573**	9,606,722	8,588,586	7,853,124	6,260,660
Non-current liabilities	**(2,242,839)**	(2,580,583)	(2,059,859)	(1,078,279)	(282,001)
Net assets	**9,473,734**	7,026,139	6,528,727	6,774,845	5,978,659
Equity attributable to shareholders of the Company	**9,442,883**	6,999,787	6,507,039	6,754,913	5,963,847
Non-controlling interests	**30,851**	26,352	21,688	19,932	14,812
Total equity	**9,473,734**	7,026,139	6,528,727	6,774,845	5,978,659

Notes

1. In July 2007, the Group changed its financial year end from 31 March to 31 December.

2. Prior years' comparatives have been restated as a result of the adoption of HK-Int 5 and early adoption of HKAS 12 (Amendment) in 2010.