



# Polytec Asset Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)



Annual Report  
2011

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# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

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

### Non-executive directors

Lai Ka Fai  
Or Pui Ying, Peranza  
Anthony Francis Martin Conway#  
Siu Leung Yau#  
Liu Kwong Sang#

# *Independent non-executive directors*

## COMPANY SECRETARY

Lau Sui Cheung

## AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong  
Lai Ka Fai

## AUDITORS

KPMG

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The R&H Trust Co. Ltd.  
Windward 1  
Regatta Office Park  
P.O. Box 897  
Grand Cayman KY1-1103  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Bank of China  
Hang Seng Bank

## STOCK CODE

Hong Kong Stock Exchange: 208

## WEBSITE

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

## Five-Year Financial Summary

The following is a summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

### RESULTS

|   | <b>2011</b><br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) | 2008<br><i>HK\$'000</i><br>(Restated) | 2007<br><i>HK\$'000</i><br>(Restated) |
|---|--------------------------------|-------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Turnover  | <b>234,782</b>                 | 963,905                 | 1,034,405                             | 2,592,538                             | 3,050,768                             |
| Profit from operations  | <b>119,817</b>                 | 406,064                 | 904,865                               | 390,458                               | 427,057                               |
| Change in fair value of investment properties                 | <b>600</b>                     | –                       | (14,000)                              | (50,000)                              | –                                     |
| Unwinding cost for contingent forward transactions            | –                              | –                       | –                                     | (485,068)                             | –                                     |
| Loss on disposals of available-for-sale financial investments | –                              | –                       | –                                     | (506,655)                             | –                                     |
| Share of results of jointly controlled entity                 | <b>138,876</b>                 | 45,641                  | 3,981                                 | (51,758)                              | 14,714                                |
| Finance costs   | <b>(23,493)</b>                | (15,721)                | (4,729)                               | (34,077)                              | (104,073)                             |
| Profit/(loss) before tax                                      | <b>235,800</b>                 | 435,984                 | 890,117                               | (737,100)                             | 337,698                               |
| Income tax expenses   | <b>(10,907)</b>                | (47,417)                | (4,397)                               | 832                                   | (65,058)                              |
| Profit/(loss) after tax                                       | <b>224,893</b>                 | 388,567                 | 885,720                               | (736,268)                             | 272,640                               |
| Non-controlling interests                                     | <b>(20,390)</b>                | (141,548)               | (1,349)                               | 202,747                               | (50,508)                              |
| Profit/(loss) attributable to equity holders of the Company   | <b>204,503</b>                 | 247,019                 | 884,371                               | (533,521)                             | 222,132                               |

# Five-Year Financial Summary

## ASSETS AND LIABILITIES

|  | <b>2011</b><br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) | 2008<br><i>HK\$000</i><br>(Restated) | 2007<br><i>HK\$'000</i><br>(Restated) |
|--|--------------------------------|-------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| Total assets   | <b>12,872,512</b>              | 12,663,646              | 11,779,659                            | 13,627,797                           | 14,458,340                            |
| Total liabilities                                    | <b>(2,437,403)</b>             | (2,309,352)             | (1,654,721)                           | (3,290,689)                          | (3,712,619)                           |
| Non-controlling interests                            | <b>(11,970)</b>                | (46,700)                | (14,352)                              | (15,363)                             | (67,792)                              |
| Equity attributable to equity holders of the Company | <b>10,423,139</b>              | 10,307,594              | 10,110,586                            | 10,321,745                           | 10,677,929                            |

## FINANCIAL HIGHLIGHTS

|  | <b>2011</b>   | 2010   | 2009<br>(Restated) | 2008<br>(Restated) | 2007<br>(Restated) |
|--|---------------|--------|--------------------|--------------------|--------------------|
| Increase/(decrease) in turnover (%)  | <b>(76)</b>   | (7)    | (60)               | (15)               | 444                |
| Increase/(decrease) in profit attributable to equity holders of the Company (%)                      | <b>(17)</b>   | (72)   | N/A                | N/A                | 652                |
| Return on equity (%)   | <b>1.96</b>   | 2.40   | 8.75               | (5.17)             | 2.08               |
| Basic earnings/(loss) per share<br>( <i>HK cents</i> )   | <b>4.61</b>   | 5.56   | 19.92              | (12.02)            | 5.06               |
| Dividends per share ( <i>HK cents</i> )  | <b>2.40</b>   | 2.40   | 2.30               | 1.90               | 1.80               |
| Net asset value attributable to equity holders of the Company per ordinary share ( <i>HK cents</i> ) | <b>234.81</b> | 232.21 | 227.77             | 232.53             | 240.55             |
| Current ratio  | <b>1.26</b>   | 1.42   | 1.48               | 1.18               | 2.39               |
| Bank borrowings to equity ratio  | <b>0.02</b>   | 0.02   | 0.01               | 0.00               | 0.01               |
| Total debts to equity ratio  | <b>0.20</b>   | 0.19   | 0.09               | 0.10               | 0.14               |

Note: In compliance with the Hong Kong Financial Reporting Standards, the Group has adopted certain new accounting policies during the year ended 31 December 2010 and accordingly, certain comparative amounts in the years 2007, 2008 and 2009 have been restated to conform with current presentation.

## GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2011, the Group's net profit attributable to shareholders amounted to HK\$205 million compared to a net profit of HK\$247 million over 2010. Excluding revaluation gains for the Group's investment properties net of taxes, the underlying net profit and earnings per share for 2011 amounted to HK\$120 million and 2.71 HK cents respectively.

The Board of Directors has proposed the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2011. Together with the interim dividend of 0.9 HK cent per share, the full year dividend per share for 2011 amounts to 2.4 HK cents. The final dividend will be payable on 19 July 2012 to the shareholders whose names appear on the register of members of the Company on 10 July 2012.

## BUSINESS REVIEW

For the year under review, the decrease in the Group's net profit for 2011 compared to that in 2010 was mainly due to a lack of major property development project completion. The Group's earnings for 2011 were mainly generated from the sale of retail shops and carparking spaces of Pacifica Garden, the Group's 58%-owned property development project in Taipai, Macau, as well as the sale of a number of investment properties and carparking spaces in Macau, with total gains attributable to the Group of HK\$66.2 million.

### Property Development

As of 31 December 2011, the development landbank in Macau attributable to the Group amounted to approximately 716,000 sq. m. gross floor area. All of the Group's existing development sites are favourably situated adjacent to the landing point of the Hong Kong-Zhuhai-Macau Bridge. The status of the Group's major projects under development in Macau is set out below.

#### *Lote P, The Orient Pearl District*

Lote P, which is an 80%-owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed by phases into various luxury residential towers, together with a large shopping arcade, a club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq. m.. The architectural plan was approved and construction work will be commenced once we obtain the final approval from the relevant government authority.

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

Lotes T+T1 combined covers an aggregate site area of approximately 17,900 sq. m. This project, in which the Group owns an 80% interest, will be developed into a number of high-end residential blocks with retail shops and car parking spaces, having an aggregate gross floor area of approximately 195,600 sq. m.. The architectural plan was approved and we have made some amendments to accommodate certain design modifications, which need to be published in the Official Gazette of Macau before the commencement of the foundation work.

# Chairman's Statement

## Property Investment

Despite the disposal of some investment properties over the past year, gross rental income generated from the Group's investment properties rose to HK\$38.8 million for the year ended 31 December 2011, an increase of 2.7% over 2010. The increase in total rental income was mainly due to a substantial improvement in occupancy rate of the office portion of The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of this property attributable to the Group rising 8.1% to HK\$33 million in 2011.

## Oil

For the year ended 31 December 2011, total revenue generated from the oil segment amounted to HK\$116 million. The segment recorded an operating loss of HK\$41 million as the loss in operation was mainly attributable to a temporary suspension of oil production in the first three months of 2011, pending approval of a gas flaring permit for the Group's South Alibek Oilfield in Kazakhstan. We were able to obtain a temporary permit in April 2011 and we are currently seeking a permanent solution to tackle the gas flaring requirements. However, while we resumed oil production in April 2011, the production levels of various wells have only gradually improved since the third quarter of 2011. The temporary disruption in production significantly affected the Group's earnings from this segment in 2011.

Nevertheless, during 2011, the Group's drilling program has produced some positive results amid bad weather conditions. Two new wells were put into production at the end of 2011 and the overall production rate has reached over 1,500 barrels per day by the end of 2011.

## Ice and cold Storage

The performance of the combined cold storage and ice manufacturing business was satisfactory during the year under review, with total operating profit from the segment rising 9.7% to HK\$23.0 million in 2011.

## FINANCIAL REVIEW

As of 31 December 2011, total book value of the Group's assets amounted to HK\$12,873 million as compared with HK\$12,664 million at end-2010. Net asset value of the Group amounted to HK\$10,435 million as of 31 December 2011, with cash and cash equivalents of HK\$289 million, denominated mainly in Hong Kong dollars.

The Group's gearing ratio, expressed as a percentage of total borrowings, which include total bank borrowings and the total amounts due to the holding companies of the Company, over the equity attributable to equity holders of the Company, increased to 20.2% at end-2011 from 19.0% at end-2010. The increase was mainly due to an increase in the amount due to our holding companies. The amount due to the immediate holding company is unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment. The ultimate holding company, Polytec Holdings International Limited, has provided a credit facility totalling HK\$1,300 million to finance the Company till March 2013 and has agreed to extend the facility if necessary. The facility is unsecured, denominated in Hong Kong dollars and bearing interest at prevailing market rates. As of 31 December 2011, only HK\$681 million of this facility was utilised.

## Chairman's Statement

The bank borrowings of HK\$195 million are secured by the Group's interest in certain properties, denominated in Hong Kong dollars and bearing interest at prevailing market rates and has been repaid in March 2012. Such repayment is financed by an advance from the immediate holding company. The Group also has unutilised bank facilities of HK\$180 million which are secured by the Group's land and buildings, denominated in Hong Kong dollars and bearing interest at prevailing market rates and subject to review from time to time. The management will also negotiate with banks to obtain new facilities to enhance the Group's borrowings capacity.

As of 31 December 2011, certain assets of the Group, with total book value of approximately HK\$130 million, were pledged to secure the banking facilities to the Group.

As of 31 December 2011, the Group's capital commitments, mainly for its oil business, amounted to HK\$27 million. These capital commitments are expected to be financed by the unutilised credit facilities of the Group.

Because of the Group's oil business in Kazakhstan, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. However, this business currently represents a relatively small portion of the Group's overall business and therefore the fluctuation in the KZT will not substantially affect the Group's financial position.

### PROSPECTS

The Macau economy remained robust, with real gross domestic product growing 20.7% in 2011. This strong growth rate has been largely driven by its gaming industry, with total revenue from the gaming activities continuing to grow strongly at a rate of 42% to reach USD34 billion in 2011.

With completion of a number of large casino resorts and hotels over the past few years, the tourism industry in Macau has become more inviting and increasingly important to the Macau economy. Total tourist arrivals rose 12% in 2011 and total tourists from Mainland China continued to rise strongly to 16 million, an increase of 22% over 2010 and representing 58% of total visitors in 2011. The number of visitors is expected to further increase with completion of more mega casinos related projects, which are currently under construction or planning.

Furthermore, the Hong Kong-Zhuhai-Macau Bridge, which is under construction, will further enhance the transportation network, attracting more visitors to Macau. The Macau economy is indeed well supported in the foreseeable future and its strong economic fundamentals will continue to support its property market over the medium and long term.



## Chairman's Statement

In April 2011, the Macau government announced the imposition of the special stamp duty (SSD). As a result, overall transaction volumes in both primary and secondary residential markets have declined substantially and transaction prices have also been under downward pressures. However, there have recently been some encouraging signs of recovery in residential transaction volumes since the end of 2011 and prices have also appeared to stabilize.

The Group's two 80%-owned mega luxury residential and commercial development projects in Macau, Lote P and Lotes T+T1, are at the final stage of clearing all necessary formalities before construction starts.

For the Group's ice and cold storage business, we expect it to continue to contribute steady income to the Group.

For the Group's oil business, in 2012, we plan to drill additional new wells from April onwards. The Group's professional team in Kazakhstan will strive to explore the potential for other areas within the Group's concession block aiming to further increase oil production levels and reserves.

For the next three to four years before completion of the first phase development of the two major property projects, there will be an earnings shortfall in the property segment. Management is now actively looking into business opportunities which may provide income to the Group over the short-term.

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

**Or Wai Sheun**

*Chairman*

Hong Kong, 29 March 2012

# Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 36 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 82.

An interim dividend of HK\$0.009 per share was paid on 14 October 2011. The directors now recommend the payment of a final dividend of HK\$0.015 per share to the shareholders whose names appear on the register of members of the Company on 10 July 2012, estimated to be HK\$66,584,000.

## FIXED ASSETS

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

## SHARE CAPITAL

Details of the movements in issued share capital of the Company during the year are set out in note 27 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 37(d) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2011, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$2,260,305,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2011, the Company's share premium account amounted to HK\$5,912,600,000.

# Report of the Directors

## DIRECTORS

The directors of the Company during the year were:

### Executive directors

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

### Non-executive directors

Mr. Lai Ka Fai  
Ms. Or Pui Ying, Peranza (appointed on 15 July 2011)

### Independent non-executive directors

Mr. Anthony Francis Martin Conway  
Mr. Siu Leung Yau  
Mr. Liu Kwong Sang

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

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Or Wai Sheun, Ms. Chio Koc leng, Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts with the Group during the year are set out in notes 17 and 32(a), (b), (c), and (d) to the financial statements.

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

# Report of the Directors

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 December 2011, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### Long positions in shares of the Company

| Name  | Capacity and nature of interests   | Number of shares held | Percentage of the issued ordinary share capital<br>(Note 1) |
|---|------------------------------------|-----------------------|---|
| Mr. Or Wai Sheun<br>(Notes 2 and 4)         | Founder and beneficiary of a trust | 3,260,004,812         | 73.44%  |
| Mr. Yeung Kwok Kwong                        | Personal                           | 2,000,000             | 0.05%   |
| Ms. Wong Yuk Ching                          | Personal                           | 6,655,000             | 0.15%   |
| Mr. Lam Chi Chung, Tommy                    | Personal                           | 230,000               | 0.01%   |
| Ms. Chio Koc Ieng                           | Personal                           | 270,000               | 0.01%   |
| Mr. Lai Ka Fai                              | Personal                           | 430,000               | 0.01%   |
| Ms. Or Pui Ying, Peranza<br>(Notes 3 and 4) | Beneficiary of a trust             | 3,260,004,812         | 73.44%  |

## Report of the Directors

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

#### Long positions in shares of associated corporation – Kowloon Development Company Limited (“KDC”)

| Name   | Capacity and nature of interests   | Number of shares held          | Percentage of the issued ordinary share capital<br><i>(Note 6)</i> |
|--|------------------------------------|--------------------------------|--|
| Mr. Or Wai Sheun<br><i>(Note 2)</i>                | Founder and beneficiary of a trust | 830,770,124<br><i>(Note 5)</i> | 72.20%   |
|  | Corporate                          | 277,500                        | 0.02%  |
| Mr. Yeung Kwok Kwong                               | Personal                           | 180,000                        | 0.02%  |
| Ms. Wong Yuk Ching                                 | Personal                           | 1,170,000                      | 0.10%  |
| Mr. Lam Chi Chung, Tommy                           | Personal                           | 17,000                         | 0.00%  |
| Ms. Chio Koc Ieng                                  | Personal                           | 225,000                        | 0.02%  |
| Mr. Lai Ka Fai                                     | Personal                           | 751,000                        | 0.07%  |
| Ms. Or Pui Ying, Peranza<br><i>(Notes 3 and 5)</i> | Beneficiary of a trust             | 830,770,124                    | 72.20%   |

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Report of the Directors

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

### Notes:

1. As at 31 December 2011, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. Mr. Or Wai Sheun was deemed to be interested in 830,770,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.  
Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.
3. Ms. Or Pui Ying, Peranza was deemed to be interested in 830,770,124 ordinary shares in KDC as one of the beneficiaries of a discretionary family trust.  
Ms. Or Pui Ying, Peranza was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through her interest in KDC.
4. The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in this section and as disclosed respectively by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited mentioned in the section under the heading of "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" are the same interests in the Company.
5. The interest in 830,770,124 ordinary shares in KDC as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively are the same interests in KDC.
6. As at 31 December 2011, the total number of issued shares in KDC was 1,150,681,275 ordinary shares.

# Report of the Directors

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

At 31 December 2011, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions

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

Save as disclosed above, as at 31 December 2011, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

#### Notes:

- As at 31 December 2011, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
- The Or Family Trustee Limited Inc. holds 830,770,124 ordinary shares in KDC (being 72.20% of the issued ordinary share capital of KDC) and, therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
- Based on information available to the Company, HSBC International Trustee Limited holds 833,084,474 ordinary shares in KDC (being 72.40% of the issued ordinary share capital of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
- The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited (the "Substantial Shareholders") mentioned in this section and as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in the section under the heading of "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" are the same interests in the Company.
- According to the register of the Company, as at 31 December 2011, the Substantial Shareholders were interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary share capital of the Company). On specific enquiries made, the Substantial Shareholders have confirmed that the Substantial Shareholders were interested in 3,260,004,812 ordinary shares in the Company. There is a difference of 15,000,000 ordinary shares between the actual numbers of shares interested in of the Substantial Shareholders and the number of shares interested in as disclosed by the Substantial Shareholders because the Substantial Shareholders do not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

# Report of the Directors

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

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

## **SHARE OPTION SCHEME**

Detailed disclosures relating to the Company's share option schemes are set out in note 28 to the financial statements.

## **EMPLOYEES**

As at 31 December 2011, the total number of employees of the Group was about 300. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 28 to the financial statements.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **PRE-EMPTIVE RIGHTS**

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

## **CHARITABLE DONATIONS**

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



# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's turnover attributable to the largest customer and the five largest customers in aggregate of the Group are 38.7% and 59.7% respectively. None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% in the share capital of the Company) has any interest in those customers.

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

## OIL RESERVE

Saved as the production during the period under review, there is no material change in the oil reserve of the Group.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 July 2012 to Tuesday, 10 July 2012 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2011. In order to qualify for the entitlement of the final dividend, the shareholders must ensure that all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 July 2012.

## AUDITORS

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

On Behalf of the Board

**Or Wai Sheun**  
*Chairman*

Hong Kong, 29 March 2012

# Corporate Governance Report

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

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

## BOARD OF DIRECTORS

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

The Board has a balanced composition of executive and non-executive directors. Currently, the Board comprises five Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng, two Non-executive Directors, being Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza, and three Independent Non-executive Directors, being Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. The profiles of the Directors, which are set out on pages 22 to 24, demonstrate a balance of skills and experience of the Board. Save as disclosed in the profiles of Directors, the Directors have no financial, business, family or other material/relevant relationship.

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

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

| Directors  | Number of attendance |
|--|----------------------|
| Mr. Or Wai Sheun ( <i>Chairman of the Board</i> )    | 4/4                  |
| Mr. Yeung Kwok Kwong                                 | 4/4                  |
| Ms. Wong Yuk Ching                                   | 4/4                  |
| Mr. Lam Chi Chung, Tommy                             | 4/4                  |
| Ms. Chio Koc Ieng                                    | 4/4                  |
| Mr. Lai Ka Fai                                       | 4/4                  |
| Ms. Or Pui Ying, Peranza (appointed on 15 July 2011) | 3/3                  |
| Mr. Anthony Francis Martin Conway                    | 3/4                  |
| Mr. Siu Leung Yau                                    | 4/4                  |
| Mr. Liu Kwong Sang                                   | 4/4                  |

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## AUDIT COMMITTEE

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

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

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

During the year, the Audit Committee reviewed the audited financial statements for 2010 and the interim financial statements for 2011 and met with the external auditors and the management of the Company to discuss issues arising from the audit of the financial statements. The Audit Committee also reviewed the effectiveness of the system of internal control of the Group, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and relevant training programmes and budget.

# Corporate Governance Report

## REMUNERATION OF DIRECTORS

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

| Directors  | Number of attendance |
|--|----------------------|
| Mr. Yeung Kwok Kwong ( <i>Chairman of the Remuneration Committee</i> ) | 4/4                  |
| Mr. Anthony Francis Martin Conway                                      | 4/4                  |
| Mr. Siu Leung Yau  | 4/4                  |
| Mr. Liu Kwong Sang   | 4/4                  |

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

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

## NOMINATION OF DIRECTORS

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

# Corporate Governance Report

## NON-EXECUTIVE DIRECTORS

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

## APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

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

# Corporate Governance Report

## INTERNAL CONTROLS

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

## AUDITORS' REMUNERATION

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

|                   | HK\$'000 |
|-------------------|----------|
| Services rendered |          |
| — audit services  | 1,600    |

## Profile of Directors

### EXECUTIVE DIRECTORS

**Mr. Or Wai Sheun**, aged 60, joined the Company in April 2006 as the Chairman of the Board. Mr. Or has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Group. Mr. Or is also the chairman of the board of directors of Kowloon Development Company Limited whose shares are listed in the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Intellinsight Holdings Limited, Polytec Holdings International Limited and a director of Marble King International Limited and Or Family Trustee Limited Inc., all five companies being substantial shareholders of the Company. He is the father of Ms. Or Pui Ying, Peranza.

**Mr. Yeung Kwok Kwong**, aged 53, joined the Company in September 2000 as the Chairman of the Board and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 25 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited and a director of Marble King International Limited, both companies being substantial shareholders of the Company.

**Ms. Wong Yuk Ching**, aged 55, joined the Company in January 2002 as Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

**Mr. Lam Chi Chung, Tommy**, aged 57, joined the Company in October 2005 as Executive Director. Prior to joining the Company, he previously held executive director positions in other listed companies in Hong Kong. He has expertise and extensive experience in the banking, international finance, project advisory and fund management fields. He is currently responsible for the development of corporate strategies, corporate planning and corporate finance of the Group. Mr. Lam graduated from the University of Windsor, Canada with a bachelor degree of science in computer science and mathematics and also attained a master's degree of business administration in accounting and management sciences from Long Island University, U.S.A.

**Ms. Chio Koc Ieng**, aged 45, joined the Group in December 2004 and was appointed as Executive Director in April 2006. She has attained 20 years of working experience in various prominent and well-established property development companies in Macau. She is responsible for development of corporate strategies, corporate planning and general management of the Group.

### NON-EXECUTIVE DIRECTOR

**Mr. Lai Ka Fai**, aged 47, joined the Company in September 2000 as Executive Director, and was re-designated as Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an executive director of Kowloon Development Company Limited and a director of Marble King International Limited and Intellinsight Holdings Limited, all three companies being substantial shareholders of the Company.

**Ms. Or Pui Ying, Peranza**, aged 31, joined the Group in September 2009 and was appointed as Non-executive Director in July 2011. She has attained solid working experience in various companies engaged in property development, financial investment and finance public relations and is the director of the Marketing and Sales Department of Kowloon Development Company Limited. Ms. Or graduated from the Imperial College London with a bachelor degree of Mathematics and Management and also attained a master's degree of International Management for China from the School of Oriental and African Studies (SOAS), the University of London. She is the daughter of Mr. Or Wai Sheun.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Anthony Francis Martin Conway**, aged 71, joined the Company in September 2000 as Independent Non-executive Director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association I.T. Management Committee. Mr. Conway is an independent non-executive director of Wing On Company International Limited whose shares are listed in the Main Board of the Stock Exchange and was also an independent non-executive director of Armitage Technologies Holding Limited whose shares are listed in the GEM Board of the Stock Exchange. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

**Mr. Siu Leung Yau**, aged 58, joined the Company in September 2000 as Independent Non-executive Director. Mr. Siu has over 25 years' experience in real estate investment, development, asset management, sale and marketing management. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of Guangzhou Tianhe Political Consultative Committee and the Deputy Head of the Hong Kong and Macau Committee. He is also a vice governor of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited, a vice president of Hong Kong Chamber of Commerce in China Guangdong and the chairman of its real estate committee, a member of the Hong Kong Institute of Real Estate Administrators and a senior consultant of Guangzhou International Bioisland.



## Profile of Directors

### INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

**Mr. Liu Kwong Sang**, aged 50, joined the Company in July 2000 as Independent Non-executive Director. He has been practising as a certified public accountant in Hong Kong with more than 20 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Institute of Financial Accountants, of the National Institute of Accountants, Australia, of the Hong Kong Institute of Certified Public Accountants, of the Taxation Institute of Hong Kong and of the Society of Registered Financial Planners. Mr. Liu acts as an independent non-executive director of China Railsmedia Corporation Limited and Dragonite International Limited, whose shares are listed on the Main Board of the Stock Exchange, abc Multiactive Limited whose securities are listed on the GEM Board of the Stock Exchange, and Pacific CMA, Inc. whose securities are listed on the American Stock Exchange.

# Independent Auditor's Report



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

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

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 27 to 82, which comprise the consolidated and Company's balance sheets as at 31 December 2011, 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 the 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 the 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.

# Independent Auditor's Report

## 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 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## KPMG

*Certified Public Accountants*

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

29 March 2012

## Consolidated Income Statement

For the year ended 31 December 2011

|  | Note | 2011<br>HK\$'000     | 2010<br>HK\$'000 |
|--|------|----------------------|------------------|
| <b>TURNOVER</b>  | 5    | <b>234,782</b>       | 963,905          |
| Cost of sales  |      | <b>(90,389)</b>      | (495,759)        |
| Gross profit   |      | <b>144,393</b>       | 468,146          |
| Other income   | 5    | <b>124,328</b>       | 50,648           |
| Selling and distribution costs                                     |      | <b>(38,067)</b>      | (31,699)         |
| Administrative expenses  |      | <b>(70,978)</b>      | (54,452)         |
| Other operating expenses   |      | <b>(39,859)</b>      | (26,579)         |
| <b>PROFIT FROM OPERATIONS</b>                                      |      | <b>119,817</b>       | 406,064          |
| Gain arising from change in<br>fair value of investment properties |      | <b>600</b>           | —                |
| Share of results of jointly controlled entity                      |      | <b>138,876</b>       | 45,641           |
| Finance costs  | 6    | <b>(23,493)</b>      | (15,721)         |
| <b>PROFIT BEFORE TAX</b>   | 7    | <b>235,800</b>       | 435,984          |
| Income tax expenses  | 9    | <b>(10,907)</b>      | (47,417)         |
| <b>PROFIT FOR THE YEAR</b>   |      | <b>224,893</b>       | 388,567          |
| <b>ATTRIBUTABLE TO</b>   |      |                      |                  |
| — Equity holders of the Company                                    | 10   | <b>204,503</b>       | 247,019          |
| — Non-controlling interests  |      | <b>20,390</b>        | 141,548          |
|  |      | <b>224,893</b>       | 388,567          |
| <b>EARNINGS PER SHARE</b> — basic/diluted                          | 11   | <b>4.61 HK cents</b> | 5.56 HK cents    |

The notes on pages 35 to 82 form part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>PROFIT FOR THE YEAR</b>   | <b>224,893</b>          | 388,567                 |
| <b>OTHER COMPREHENSIVE INCOME:</b>                                 |                         |                         |
| Gain on fair value changes of<br>interests in property development | <b>17,577</b>           | 56,524                  |
| <b>OTHER COMPREHENSIVE INCOME<br/>FOR THE YEAR, NET OF TAX</b>     | <b>17,577</b>           | 56,524                  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                     | <b>242,470</b>          | 445,091                 |
| <b>ATTRIBUTABLE TO</b>   |                         |                         |
| — Equity holders of the Company                                    | <b>222,080</b>          | 303,543                 |
| — Non-controlling interests  | <b>20,390</b>           | 141,548                 |
|  | <b>242,470</b>          | 445,091                 |

The notes on pages 35 to 82 form part of these financial statements.

# Consolidated Balance Sheet

At 31 December 2011

|  | Note | 2011<br>HK\$'000  | 2010<br>HK\$'000 |
|--|------|-------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                    |      |                   |                  |
| Property, plant and equipment                | 13   | 1,378,046         | 1,203,558        |
| Oil exploitation assets                      | 14   | 120,785           | 123,144          |
| Investment properties                        | 15   | 5,600             | 56,000           |
| Interest in jointly controlled entity        | 16   | 572,916           | 434,040          |
| Interests in property development            | 17   | 10,190,981        | 10,173,404       |
| Other deposit                                |      | —                 | 2,527            |
| Deferred taxation                            | 26   | 4,148             | 2,195            |
| Goodwill                                     | 18   | 16,994            | 16,994           |
|  |      | <b>12,289,470</b> | 12,011,862       |
| <b>CURRENT ASSETS</b>                        |      |                   |                  |
| Amount due from jointly controlled entity    | 19   | 115,834           | 149,984          |
| Held for trading investments                 | 20   | 8,610             | 13,095           |
| Inventories                                  | 21   | 116,621           | 125,138          |
| Trade and other receivables                  | 22   | 52,972            | 33,588           |
| Cash and cash equivalents                    | 23   | 288,694           | 329,979          |
| Tax recoverable                              |      | 311               | —                |
|  |      | <b>583,042</b>    | 651,784          |
| <b>CURRENT LIABILITIES</b>                   |      |                   |                  |
| Trade and other payables                     | 24   | 226,892           | 151,748          |
| Bank loans                                   | 25   | 195,000           | 180,000          |
| Current taxation                             |      | 41,966            | 127,401          |
|  |      | <b>463,858</b>    | 459,149          |
| <b>NET CURRENT ASSETS</b>                    |      | <b>119,184</b>    | 192,635          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      | <b>12,408,654</b> | 12,204,497       |

# Consolidated Balance Sheet

At 31 December 2011

|   | Note  | 2011<br>HK\$'000  | 2010<br>HK\$'000 |
|---|-------|-------------------|------------------|
| <b>NON-CURRENT LIABILITIES</b>                              |       |                   |                  |
| Amount due to immediate holding company                     | 32(a) | 1,227,021         | 1,152,822        |
| Amount due to ultimate holding company                      | 32(b) | 680,579           | 627,901          |
| Other payables  |       | 46,637            | 46,872           |
| Deferred taxation   | 26    | 19,308            | 22,608           |
|   |       | <b>1,973,545</b>  | 1,850,203        |
| <b>NET ASSETS</b>   |       |                   |                  |
|   |       | <b>10,435,109</b> | 10,354,294       |
| <b>CAPITAL AND RESERVES</b>                                 |       |                   |                  |
| Share capital   | 27    | 443,897           | 443,897          |
| Reserves  |       | 9,979,242         | 9,863,697        |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b> |       |                   |                  |
|   |       | <b>10,423,139</b> | 10,307,594       |
| <b>NON-CONTROLLING INTERESTS</b>                            |       |                   |                  |
|   |       | <b>11,970</b>     | 46,700           |
| <b>TOTAL EQUITY</b>   |       |                   |                  |
|   |       | <b>10,435,109</b> | 10,354,294       |

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

**Or Wai Sheun**  
Director

**Yeung Kwok Kwong**  
Director

The notes on pages 35 to 82 form part of these financial statements.

## Balance Sheet

At 31 December 2011

|  | Note       | 2011<br>HK\$'000  | 2010<br>HK\$'000 |
|--|------------|-------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                    |            |                   |                  |
| Investments in subsidiaries                  | 36 & 37(a) | 1                 | 1                |
|  |            | <b>1</b>          | 1                |
| <b>CURRENT ASSETS</b>                        |            |                   |                  |
| Amounts due from subsidiaries                | 37(b)      | 11,250,512        | 11,070,983       |
| Other receivables                            |            | 556               | 569              |
| Cash and cash equivalents                    | 23         | 43,023            | 293,385          |
| Tax recoverable                              |            | 311               | —                |
|  |            | <b>11,294,402</b> | 11,364,937       |
| <b>CURRENT LIABILITIES</b>                   |            |                   |                  |
| Other payables                               |            | 5,547             | 15,102           |
| Amounts due to subsidiaries                  | 37(c)      | 764,454           | 828,949          |
|  |            | <b>770,001</b>    | 844,051          |
| <b>NET CURRENT ASSETS</b>                    |            | <b>10,524,401</b> | 10,520,886       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |            | <b>10,524,402</b> | 10,520,887       |
| <b>NON-CURRENT LIABILITIES</b>               |            |                   |                  |
| Amount due to immediate holding company      | 32(a)      | 1,227,021         | 1,152,822        |
| Amount due to ultimate holding company       | 32(b)      | 680,579           | 627,901          |
|  |            | <b>1,907,600</b>  | 1,780,723        |
| <b>NET ASSETS</b>                            |            | <b>8,616,802</b>  | 8,740,164        |
| <b>CAPITAL AND RESERVES</b>                  |            |                   |                  |
| Share capital                                | 27         | 443,897           | 443,897          |
| Reserves                                     | 37(d)      | 8,172,905         | 8,296,267        |
| <b>Total equity</b>                          |            | <b>8,616,802</b>  | 8,740,164        |

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

**Or Wai Sheun**  
Director

**Yeung Kwok Kwong**  
Director

The notes on pages 35 to 82 form part of these financial statements.



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

|  | Attributable to equity holders of the Company |   |                                   |                                 | Total<br>HK\$'000 | Non-controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
|--|---|---|-----------------------------------|---------------------------------|-------------------|--|-----------------------------|
|  | Share<br>capital<br>HK\$'000                  | Share<br>premium<br>account<br>HK\$'000 | Fair value<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 |                   |  |                             |
| At 1 January 2011  | 443,897                                       | 5,912,600                               | 2,877,404                         | 1,073,693                       | 10,307,594        | 46,700                                   | 10,354,294                  |
| Profit for the year  | —   | —                                       | —                                 | 204,503                         | 204,503           | 20,390                                   | 224,893                     |
| Other comprehensive<br>income for the year                   | —   | —                                       | 17,577                            | —                               | 17,577            | —  | 17,577                      |
| Total comprehensive income<br>for the year                   | —   | —                                       | 17,577                            | 204,503                         | 222,080           | 20,390                                   | 242,470                     |
| Repayment of loans from<br>minority shareholders             | —   | —                                       | —                                 | —                               | —                 | (50,400)                                 | (50,400)                    |
| Dividends paid to<br>non-controlling interests               | —   | —                                       | —                                 | —                               | —                 | (4,720)                                  | (4,720)                     |
| Dividends paid to equity holders<br>of the Company (note 12) | —   | —                                       | —                                 | (106,535)                       | (106,535)         | —  | (106,535)                   |
| At 31 December 2011  | 443,897                                       | 5,912,600                               | 2,894,981                         | 1,171,661                       | 10,423,139        | 11,970                                   | 10,435,109                  |
| At 1 January 2010  | 443,897                                       | 5,912,600                               | 2,820,880                         | 933,209                         | 10,110,586        | 14,352                                   | 10,124,938                  |
| Profit for the year  | —   | —                                       | —                                 | 247,019                         | 247,019           | 141,548                                  | 388,567                     |
| Other comprehensive income<br>for the year                   | —   | —                                       | 56,524                            | —                               | 56,524            | —  | 56,524                      |
| Total comprehensive income<br>for the year                   | —   | —                                       | 56,524                            | 247,019                         | 303,543           | 141,548                                  | 445,091                     |
| Repayment of loans from<br>minority shareholders             | —   | —                                       | —                                 | —                               | —                 | (109,200)                                | (109,200)                   |
| Dividends paid to equity holders<br>of the Company (note 12) | —   | —                                       | —                                 | (106,535)                       | (106,535)         | —  | (106,535)                   |
| At 31 December 2010  | 443,897                                       | 5,912,600                               | 2,877,404                         | 1,073,693                       | 10,307,594        | 46,700                                   | 10,354,294                  |

The notes on pages 35 to 82 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2011

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <i>Note</i>  |                         |                         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                         |                         |
| Profit before tax  | <b>235,800</b>          | 435,984                 |
| Adjustments for:   |                         |                         |
| Gain from bargain purchase   | —                       | (23,579)                |
| Gain arising from change in fair value<br>of investment properties               | <b>(600)</b>            | —                       |
| Share of results of jointly controlled entity                                    | <b>(138,876)</b>        | (45,641)                |
| Dividend income from listed securities   | <b>(189)</b>            | —                       |
| Interest income  | <b>(407)</b>            | (54)                    |
| Gain on disposal of investment properties  | <b>(45,186)</b>         | (681)                   |
| Loss/(gain) arising from change in<br>fair value of held for trading investments | <b>4,485</b>            | (4,710)                 |
| Depreciation and amortisation  | <b>29,021</b>           | 22,863                  |
| Loss on disposal of property, plant and equipment                                | <b>968</b>              | 263                     |
| Gain on disposal of subsidiaries   | <b>(69,507)</b>         | —                       |
| Finance costs  | <b>23,493</b>           | 15,721                  |
| Operating cash flow before working capital changes                               | <b>39,002</b>           | 400,166                 |
| Decrease in inventories  | <b>8,517</b>            | 417,720                 |
| (Increase)/decrease in trade and other receivables                               | <b>(16,857)</b>         | 13,456                  |
| Increase/(decrease) in trade and other payables                                  | <b>80,564</b>           | (545,488)               |
| Cash generated from operations   | <b>111,226</b>          | 285,854                 |
| Interest received  | <b>407</b>              | 54                      |
| Interest paid  | <b>(4,770)</b>          | (3,677)                 |
| Dividends received from listed securities  | <b>189</b>              | —                       |
| Tax paid   | <b>(32,423)</b>         | (19,843)                |
| Net cash generated from operating activities                                     | <b>74,629</b>           | 262,388                 |

# Consolidated Cash Flow Statement

For the year ended 31 December 2011

|   | Note  | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |       |                  |                  |
| Purchases of property, plant and equipment                              |       | (203,903)        | (21,617)         |
| Repayment of advance to jointly controlled entity                       |       | 34,150           | 24,709           |
| Proceeds from disposal of property, plant and equipment                 |       | 1,785            | 221              |
| Net proceeds from disposal of investment properties                     |       | 96,186           | 30,681           |
| Acquisition of a subsidiary   | 30(a) | —                | (1,061,407)      |
| Payment of retention money for the acquisition of a subsidiary          |       | (5,655)          | —                |
| Disposal of subsidiaries  | 30(b) | 24               | —                |
| Net cash used in investing activities                                   |       | (77,413)         | (1,027,413)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |       |                  |                  |
| Amounts advanced from immediate holding company                         | 30(c) | 670,154          | 1,027,295        |
| Amounts advanced from ultimate holding company                          |       | 295,000          | 894,203          |
| Repayments of amount due to immediate holding company                   |       | (607,000)        | (941,000)        |
| Repayments of amount due to ultimate holding company                    | 30(c) | (250,000)        | (70,000)         |
| Inception of bank loans   |       | 388,000          | 760,000          |
| Repayments of bank loans  |       | (373,000)        | (640,000)        |
| Repayments of amounts due to minority shareholders                      |       | (50,400)         | (109,200)        |
| Dividend paid to minority shareholders                                  |       | (4,720)          | —                |
| Dividend paid to equity holders of the Company                          |       | (106,535)        | (106,535)        |
| Net cash (used in)/generated from financing activities                  |       | (38,501)         | 814,763          |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>             |       | <b>(41,285)</b>  | <b>49,738</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>               |       | <b>329,979</b>   | <b>280,241</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                     |       | <b>288,694</b>   | <b>329,979</b>   |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b> |       |                  |                  |
| Cash and bank balances  |       | 288,694          | 329,979          |

The notes on pages 35 to 82 form part of these financial statements.

## 1. CORPORATE INFORMATION

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

During the year, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are investment holding, properties investment, development and trading, securities investment and trading, manufacturing of ice and provision of cold storage service and oil exploration and production.

## 2. BASIS OF PREPARATION

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

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 34.

The HKICPA has issued a number of new and revised HKFRSs that are effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs has no material impact on the Group's financial statements.

# Notes to Financial Statements

31 December 2011

## 2. BASIS OF PREPARATION (continued)

The Group has not early adopted the following new or revised HKFRSs, which are not yet effective, in the financial statements for the year ended 31 December 2011. The Group has not completed the process of evaluating the impact that will result from the adopting these new or revised HKFRSs. The Group is therefore unable to disclose the impact that adopting these new or revised HKFRSs will have on its financial position and the results of operations when such new or revised HKFRSs are adopted.

|                               |   |
|-------------------------------|---|
| HKAS 1 (Revised) (Amendments) | Presentation of Items of Other Comprehensive Income <sup>2</sup>  |
| HKAS 19 (2011)                | Employee Benefits <sup>3</sup>  |
| HKAS 27 (2011)                | Separate Financial Statements <sup>3</sup>  |
| HKAS 28 (2011)                | Investments in Associates and Joint Ventures <sup>3</sup>   |
| HKAS 32 (Amendments)          | Offsetting Financial Assets and Financial Liabilities <sup>4</sup>  |
| HKFRS 1 (Revised)             | Severe Hyperinflation and Removal of Fixed Dates<br>for First-time Adopters <sup>1</sup>  |
| HKFRS 7 (Amendments)          | Disclosures — Transfers of Financial Assets <sup>1</sup><br>Disclosures — Offsetting Financial Assets<br>and Financial Liabilities <sup>3</sup> |
| HKFRS 9                       | Financial Instruments <sup>5</sup>  |
| HKFRS 10                      | Consolidated Financial Statements <sup>3</sup>  |
| HKFRS 11                      | Joint Arrangements <sup>3</sup>   |
| HKFRS 12                      | Disclosure of Interests in Other Entities <sup>3</sup>  |
| HKFRS 13                      | Fair Value Measurement <sup>3</sup>   |
| HK(IFRIC) — Int 20            | Stripping Costs in the Production Phase of<br>a Surface Mine <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

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

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

Non-controlling interests at the balance sheet date, being the equity in subsidiaries not attributable to the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in the subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in jointly controlled entity or associate.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale. The results of the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

# Notes to Financial Statements

31 December 2011

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

### Goodwill

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition and is stated at cost less accumulated impairment losses and presented separately in the balance sheet. When (ii) is greater than (i), then the excess is recognised immediately in profit or loss as a gain from bargain purchase.

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

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

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

### Oil exploitation assets

Costs incurred for the acquisition and maintenance of the exploitation rights of the Group's oil exploration and production activities are capitalised as oil exploitation assets. Oil exploitation assets are stated at cost less accumulated amortisation and impairment losses. The amortisation is calculated on unit of production method based upon the estimated proved and probable oil reserves.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Future estimated dismantlement and restoration costs of property, plant and equipment are discounted at appropriate rates and are capitalised as part of the costs of property, plant and equipment, which are subsequently depreciated. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time, is reflected as an adjustment to the costs.

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

|                                      |   |
|--------------------------------------|---|
| Leasehold land                       | over the unexpired term of lease  |
| Buildings situated on leasehold land | over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/ completion |
| Other assets                         | 2 to 10 years   |

Oil production assets include all the property, plant and equipment arising from oil exploration and production activities.

Depreciation of certain oil production assets is calculated on unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

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

**Leasing**

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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



# Notes to Financial Statements

31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

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

### Joint ventures

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

#### *Jointly controlled assets*

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

#### *Jointly controlled entities*

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

### Interests in property development

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

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

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

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

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

#### *Loans and receivables*

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

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

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

# Notes to Financial Statements

31 December 2011

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

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

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

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

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

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

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

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

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

#### *Financial liabilities and equity*

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

#### *Equity instruments*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Other financial liabilities*

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

#### *Derivatives*

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

### Inventories

Inventories, other than consumables, are stated at the lower of cost and net realisable value. Consumables are stated at cost less any provision for obsolescence.

Cost of inventories, other than properties, is determined using the weighted average method. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realisable value of properties held for sale represents the estimated selling price less costs to be incurred in selling of property. Net realisable value of properties held under development for sale represents the estimated selling price less estimated costs to be incurred in development and selling of property.

### Cash and cash equivalents

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

### Borrowing costs

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

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

# Notes to Financial Statements

31 December 2011

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

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

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

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

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

### **Income tax**

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

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

### **Foreign currencies**

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

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

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

### **Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

# Notes to Financial Statements

31 December 2011

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

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and relevant costs can be measured reliably, on the following bases:

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

### Segment reporting

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

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

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

### **Segment reporting** *(continued)*

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

### **Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's holding company.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

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



# Notes to Financial Statements

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## 4. SEGMENT INFORMATION

The Group had four (2010: four) operating segments for the year which included properties investment, trading and development related activities ("Properties"), oil exploration and production related activities ("Oil"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and other miscellaneous operations ("Others").

|  | Properties<br>HK\$'000 | Oil<br>HK\$'000 | Ice and Cold<br>Storage<br>HK\$'000 | Others<br>HK\$'000 | 2011<br>Total<br>HK\$'000 |
|--|------------------------|-----------------|-------------------------------------|--------------------|---------------------------|
| Turnover   | 49,493                 | 115,513         | 69,776                              | —                  | 234,782                   |
| Segment result   | 86,575                 | (40,691)        | 23,038                              | (4,534)            | 64,388                    |
| Corporate portion  |                        |                 |                                     |                    | 55,429                    |
| Profit from operations   |                        |                 |                                     |                    | 119,817                   |
| Gain arising from change in fair value of investment properties        | 600                    | —               | —                                   | —                  | 600                       |
| Share of results of jointly controlled entity                          | 138,876                | —               | —                                   | —                  | 138,876                   |
| Finance costs  |                        |                 |                                     |                    | (23,493)                  |
| Profit before tax  |                        |                 |                                     |                    | 235,800                   |
| Segment assets   | 10,302,973             | 1,414,643       | 163,556                             | 8,610              | 11,889,782                |
| Interest in and amount due from jointly controlled entity              | 688,750                | —               | —                                   | —                  | 688,750                   |
| Corporate assets   |                        |                 |                                     |                    | 293,980                   |
|  |                        |                 |                                     |                    | 12,872,512                |
| Capital expenditure incurred   | —                      | 197,199         | 6,694                               | —                  | 203,903                   |
| Depreciation and amortisation  | 5                      | 23,512          | 5,490                               | —                  | 29,021                    |
| Loss arising from change in fair value of held for trading investments | —                      | —               | —                                   | 4,485              | 4,485                     |

During the year ended 31 December 2011, the Group has one customer in the Oil segment whom the Group's sale are dealt with amounted to HK\$90,877,000 which exceeds 10% of the Group's revenue.

## 4. SEGMENT INFORMATION (continued)

|  | Properties<br>HK\$'000 | Oil<br>HK\$'000 | Ice and Cold<br>Storage<br>HK\$'000 | Others<br>HK\$'000 | 2010<br>Total<br>HK\$'000 |
|--|------------------------|-----------------|-------------------------------------|--------------------|---------------------------|
| Turnover   | 822,160                | 80,444          | 61,301                              | —                  | 963,905                   |
| Segment result   | 386,558                | 9,798           | 21,005                              | 4,435              | 421,796                   |
| Corporate portion  |                        |                 |                                     |                    | (15,732)                  |
| Profit from operations   |                        |                 |                                     |                    | 406,064                   |
| Share of results of<br>jointly controlled entity                             | 45,641                 | —               | —                                   | —                  | 45,641                    |
| Finance costs  |                        |                 |                                     |                    | (15,721)                  |
| Profit before tax  |                        |                 |                                     |                    | 435,984                   |
| Segment assets   | 10,353,091             | 1,220,557       | 159,796                             | 13,095             | 11,746,539                |
| Interest in and amount due from<br>jointly controlled entity                 | 584,024                | —               | —                                   | —                  | 584,024                   |
| Corporate assets   |                        |                 |                                     |                    | 333,083                   |
|  |                        |                 |                                     |                    | 12,663,646                |
| Capital expenditure incurred   | —                      | 21,230          | 357                                 | —                  | 21,617                    |
| Gain from bargain purchase   | —                      | 23,579          | —                                   | —                  | 23,579                    |
| Depreciation and amortisation  | 4                      | 17,753          | 5,084                               | —                  | 22,863                    |
| Gain arising from change in<br>fair value of held for<br>trading investments | —                      | —               | —                                   | 4,710              | 4,710                     |

## Notes to Financial Statements

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### 4. SEGMENT INFORMATION (continued)

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred assets. The geographical location of revenue is based on the location which the goods were delivered or the services were provided. The geographical location of non-current assets is based on the physical location of the assets, in case of interest in jointly controlled entity, the location of operations.

|                                | Turnover         |                  | Non-current assets |                  |
|--------------------------------|------------------|------------------|--------------------|------------------|
|                                | 2011<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000   | 2010<br>HK\$'000 |
| The People's Republic of China | <b>119,269</b>   | 883,461          | <b>730,309</b>     | 640,644          |
| Kazakhstan                     | <b>115,513</b>   | 80,444           | <b>1,364,032</b>   | 1,195,619        |
|                                | <b>234,782</b>   | 963,905          | <b>2,094,341</b>   | 1,836,263        |

In addition to the above non-current assets, the Group has interests in property development of HK\$10,190,981,000 (2010: HK\$10,173,404,000) in the People's Republic of China.

**5. TURNOVER AND OTHER INCOME**

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

|   | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Turnover</b>   |                         |                         |
| Sale of properties  | <b>48,102</b>           | 819,258                 |
| Sale of crude oil   | <b>105,404</b>          | 73,935                  |
| Sale of goods   | <b>45,409</b>           | 36,882                  |
| Service income  | <b>34,476</b>           | 30,928                  |
| Rental income from investment properties                                  | <b>1,391</b>            | 2,902                   |
|   | <b>234,782</b>          | 963,905                 |
| <b>Other income</b>   |                         |                         |
| Rental income from properties held for sale                               | <b>5,778</b>            | 5,692                   |
| Dividend income from listed securities                                    | <b>189</b>              | —                       |
| Bank and other interest income  | <b>407</b>              | 54                      |
| Gain on disposal of investment properties                                 | <b>45,186</b>           | 681                     |
| Gain on disposal of subsidiaries  | <b>69,507</b>           | —                       |
| Gain arising from change in fair value of<br>held for trading investments | —                       | 4,710                   |
| Gain from bargain purchase  | —                       | 23,579                  |
| Others  | <b>3,261</b>            | 15,932                  |
|   | <b>124,328</b>          | 50,648                  |

# Notes to Financial Statements

31 December 2011

## 6. FINANCE COSTS

|   | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest expense on   |                         |                         |
| — Bank and other borrowings wholly repayable within five years          | <b>2,990</b>            | 1,504                   |
| — Amount due to immediate holding company with no fixed repayment terms | <b>11,045</b>           | 7,084                   |
| — Amount due to ultimate holding company with no fixed repayment terms  | <b>7,678</b>            | 4,960                   |
|   | <b>21,713</b>           | 13,548                  |
| Other finance costs   | <b>1,780</b>            | 2,173                   |
|   | <b>23,493</b>           | 15,721                  |

**7. PROFIT BEFORE TAX**

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

|  | <b>2011</b><br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Staff costs (excluding directors' remuneration):   |                                |                         |
| Wages and salaries   | <b>40,853</b>                  | 32,751                  |
| Contributions to retirement benefit scheme   | <b>598</b>                     | 575                     |
|  | <b>41,451</b>                  | 33,326                  |
| Depreciation of property, plant and equipment  | <b>26,662</b>                  | 16,947                  |
| Amortisation of oil exploitation assets<br>(included in cost of sales)                                     | <b>2,359</b>                   | 5,916                   |
| Minimum lease payments under operating leases<br>in respect of land and buildings                          | <b>1,393</b>                   | 1,363                   |
| Auditors' remuneration   | <b>1,718</b>                   | 2,102                   |
| Exchange gain  | <b>(615)</b>                   | (5,847)                 |
| Direct operating expenses arising from<br>investment properties that generated rental income               | <b>199</b>                     | 383                     |
| Loss/(gain) arising from change in fair value of<br>held for trading investments                           | <b>4,485</b>                   | (4,710)                 |
| Loss on disposal of property, plant and equipment  | <b>968</b>                     | 263                     |
| Share of tax of a jointly controlled entity<br>(included in share of results of jointly controlled entity) | <b>14,317</b>                  | 8,185                   |

## Notes to Financial Statements

31 December 2011

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

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

|                                      | Fees<br><i>HK\$'000</i> | Salaries and<br>other<br>benefits<br><i>HK\$'000</i> | Performance<br>bonuses<br><i>HK\$'000</i> | Provident<br>fund<br>contributions<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|--|---|---|--------------------------|
| For the year ended 31 December 2011: |                         |  |   |   |                          |
| Mr. Or Wai Sheun                     | —                       | —  | —   | —   | —                        |
| Mr. Yeung Kwok Kwong                 | —                       | 1,901  | 420                                       | 175   | 2,496                    |
| Ms. Wong Yuk Ching                   | —                       | 1,127  | 200                                       | 104   | 1,431                    |
| Mr. Lam Chi Chung, Tommy             | —                       | 1,647  | 250                                       | 18  | 1,915                    |
| Ms. Chio Koc leng                    | —                       | 1,127  | 420                                       | —   | 1,547                    |
| Mr. Lai Ka Fai                       | 140                     | —  | —   | —   | 140                      |
| Ms. Or Pui Ying, Peranza             | 70                      | —  | —   | —   | 70                       |
| Mr. Anthony Francis<br>Martin Conway | 140                     | —  | —   | —   | 140                      |
| Mr. Siu Leung Yau                    | 140                     | —  | —   | —   | 140                      |
| Mr. Liu Kwong Sang                   | 140                     | —  | —   | —   | 140                      |
|                                      | <b>630</b>              | <b>5,802</b>   | <b>1,290</b>                              | <b>297</b>  | <b>8,019</b>             |
| For the year ended 31 December 2010: |                         |  |   |   |                          |
| Mr. Or Wai Sheun                     | —                       | —  | —   | —   | —                        |
| Mr. Yeung Kwok Kwong                 | —                       | 1,802  | 450                                       | 166   | 2,418                    |
| Ms. Wong Yuk Ching                   | —                       | 1,068  | 200                                       | 98  | 1,366                    |
| Mr. Lam Chi Chung, Tommy             | —                       | 1,569  | 250                                       | 16  | 1,835                    |
| Ms. Chio Koc leng                    | —                       | 1,068  | 420                                       | —   | 1,488                    |
| Mr. Lai Ka Fai                       | 140                     | —  | —   | —   | 140                      |
| Mr. Anthony Francis<br>Martin Conway | 140                     | —  | —   | —   | 140                      |
| Mr. Siu Leung Yau                    | 140                     | —  | —   | —   | 140                      |
| Mr. Liu Kwong Sang                   | 140                     | —  | —   | —   | 140                      |
|                                      | <b>560</b>              | <b>5,507</b>   | <b>1,320</b>                              | <b>280</b>  | <b>7,667</b>             |

## Notes to Financial Statements

31 December 2011

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

The five highest paid individuals during the year ended 31 December 2011 included four (2010: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2010: one) non-director highest paid individual are as follows:

|                              | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Salaries and other benefits  | 1,950            | 1,250            |
| Performance bonuses          | 300              | —                |
| Provident fund contributions | —                | —                |
|                              | <b>2,250</b>     | 1,250            |

### 9. INCOME TAX EXPENSES

|                                  | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| Current tax                      |                  |                  |
| — Hong Kong Profits Tax          | 2,461            | 2,410            |
| — Overseas income tax            | 14,712           | 51,876           |
| — Over provision for prior years | (1,013)          | —                |
|                                  | <b>16,160</b>    | 54,286           |
| Deferred tax                     | (5,253)          | (6,869)          |
|                                  | <b>10,907</b>    | 47,417           |

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.



# Notes to Financial Statements

31 December 2011

## 9. INCOME TAX EXPENSES (continued)

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

|   | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|---|------------------|------------------|
| Profit before tax   | <b>235,800</b>   | 435,984          |
| Tax charges at the average income tax rate                          | <b>14,738</b>    | 43,400           |
| Tax effect of share of results of jointly controlled entity         | <b>(14,317)</b>  | (8,185)          |
| Tax effect of expenses not deductible in determining taxable profit | <b>6,922</b>     | 4,012            |
| Tax effect of income not taxable in determining taxable profit      | <b>(243)</b>     | (3)              |
| Utilisation of tax losses previously not recognised                 | <b>(53)</b>      | (776)            |
| Tax effect of tax losses not recognised                             | <b>3,339</b>     | 8,964            |
| Over provision for prior years                                      | <b>(1,013)</b>   | —                |
| Others  | <b>1,534</b>     | 5                |
| Income tax expense for the year                                     | <b>10,907</b>    | 47,417           |

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

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

The profit attributable to equity holders of the Company for the year ended 31 December 2011 dealt with in the financial statements of the Company was loss of HK\$18,042,000 (2010: HK\$13,226,000).

**11. EARNINGS PER SHARE**

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

|   | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Earnings</b>   |                         |                         |
| Earnings for the purposes of basic and diluted earnings per share                 | <b>204,503</b>          | 247,019                 |
| <b>Number of shares</b>   |                         |                         |
| Number of ordinary shares for the purpose of basic and diluted earnings per share | <b>4,438,967,838</b>    | 4,438,967,838           |

**12. DIVIDENDS**

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

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend declared and paid of HK\$0.009 per ordinary share (2010: HK\$0.009)                   | <b>39,951</b>           | 39,951                  |
| Final dividend proposed after the balance sheet date of HK\$0.015 per ordinary share (2010: HK\$0.015) | <b>66,584</b>           | 66,584                  |
|  | <b>106,535</b>          | 106,535                 |

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

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

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.015 per ordinary share (2010: HK\$0.015) | <b>66,584</b>           | 66,584                  |

# Notes to Financial Statements

31 December 2011

## 13. PROPERTY, PLANT AND EQUIPMENT

|                             | Leasehold<br>land<br>HK\$'000 | Buildings<br>HK\$'000 | Oil<br>production<br>assets<br>HK\$'000 | Other<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|-------------------------------|-----------------------|---|-----------------------------|-------------------|
| Cost:                       |                               |                       |   |                             |                   |
| At 1 January 2011           | 120,210                       | 32,790                | 1,081,604                               | 11,100                      | 1,245,704         |
| Additions                   | —                             | —                     | 197,199                                 | 6,704                       | 203,903           |
| Disposals                   | —                             | —                     | (3,096)                                 | (31)                        | (3,127)           |
| At 31 December 2011         | 120,210                       | 32,790                | 1,275,707                               | 17,773                      | 1,446,480         |
| At 1 January 2010           | 120,210                       | 32,790                | —                                       | 12,170                      | 165,170           |
| Acquisition of a subsidiary | —                             | —                     | 1,060,890                               | —                           | 1,060,890         |
| Additions                   | —                             | —                     | 21,230                                  | 387                         | 21,617            |
| Disposals                   | —                             | —                     | (516)                                   | (1,457)                     | (1,973)           |
| At 31 December 2010         | 120,210                       | 32,790                | 1,081,604                               | 11,100                      | 1,245,704         |
| Accumulated depreciation:   |                               |                       |   |                             |                   |
| At 1 January 2011           | 17,273                        | 4,711                 | 11,656                                  | 8,506                       | 42,146            |
| Charge for the year         | 2,821                         | 770                   | 21,153                                  | 1,918                       | 26,662            |
| Disposals                   | —                             | —                     | (349)                                   | (25)                        | (374)             |
| At 31 December 2011         | 20,094                        | 5,481                 | 32,460                                  | 10,399                      | 68,434            |
| At 1 January 2010           | 14,453                        | 3,942                 | —                                       | 8,293                       | 26,688            |
| Charge for the year         | 2,820                         | 769                   | 11,837                                  | 1,521                       | 16,947            |
| Disposals                   | —                             | —                     | (181)                                   | (1,308)                     | (1,489)           |
| At 31 December 2010         | 17,273                        | 4,711                 | 11,656                                  | 8,506                       | 42,146            |
| Carrying values:            |                               |                       |   |                             |                   |
| At 31 December 2011         | 100,116                       | 27,309                | 1,243,247                               | 7,374                       | 1,378,046         |
| At 31 December 2010         | 102,937                       | 28,079                | 1,069,948                               | 2,594                       | 1,203,558         |

**14. OIL EXPLOITATION ASSETS**

|   | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost:   |                         |                         |
| At 1 January                                  | 129,060                 | —                       |
| Additions through acquisition of a subsidiary | —                       | 129,060                 |
| At 31 December                                | 129,060                 | 129,060                 |
| Accumulated amortisation:                     |                         |                         |
| At 1 January                                  | 5,916                   | —                       |
| Amortisation during the year                  | 2,359                   | 5,916                   |
| At 31 December                                | 8,275                   | 5,916                   |
| Carrying value                                | 120,785                 | 123,144                 |

**15. INVESTMENT PROPERTIES**

|                      | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Fair value:          |                         |                         |
| At 1 January         | 56,000                  | 86,000                  |
| Disposal             | (51,000)                | (30,000)                |
| Change in fair value | 600                     | —                       |
| At 31 December       | 5,600                   | 56,000                  |

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

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

The fair value of the Group's investment properties at 31 December 2011 have been arrived at on a market value basis calculated by reference to net rental income allowing for reversionary income potential carried out on that date by DTZ Debenham Tie Leung Limited. DTZ Debenham Tie Leung Limited is an independent qualified professional valuers not connected with the Group and has among its staff members of the Hong Kong Institute of Surveyors and has appropriate qualifications and experiences in the valuation of similar properties in the relevant locations.

# Notes to Financial Statements

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## 16. INTEREST IN JOINTLY CONTROLLED ENTITY

|                                  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Investment cost                  | 12                      | 12                      |
| Share of post acquisition profit | 572,904                 | 434,028                 |
| Share of net assets              | 572,916                 | 434,040                 |

Particulars of the jointly controlled entity at 31 December 2011 are as follows:

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

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

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

|                         | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|-------------------------|-------------------------|-------------------------|
| Income                  | 324,765                 | 126,918                 |
| Expenses                | (47,013)                | (35,636)                |
| Profit for the year     | 277,752                 | 91,282                  |
| Non-current assets      | 1,531,063               | 1,290,379               |
| Current assets          | 9,670                   | 12,083                  |
| Current liabilities     | (270,418)               | (338,819)               |
| Non-current liabilities | (124,483)               | (95,563)                |
| Net assets              | 1,145,832               | 868,080                 |

**17. INTERESTS IN PROPERTY DEVELOPMENT**

|   | <b>2011</b><br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| At 1 January  | <b>10,173,404</b>              | 10,116,880              |
| Change in fair value recognised in other comprehensive income | <b>17,577</b>                  | 56,524                  |
| At 31 December  | <b>10,190,981</b>              | 10,173,404              |

Interests in property development represent the Group's interests in the development of various properties in Macau under two co-investment agreements with two wholly owned subsidiaries of the Ultimate Holding Company respectively. The basis and estimations for arriving at the fair value of the interests in property development is further described in note 34.

**18. GOODWILL**

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. During the year ended 31 December 2011, management of the Group determines that there are no impairments of the CGU containing goodwill.

The recoverable amount of the CGU have been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 8%. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

**19. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY**

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

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## 20. HELD FOR TRADING INVESTMENTS

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Equity securities held for trading listed in Hong Kong | <b>8,610</b>            | 13,095                  |

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

## 21. INVENTORIES

|   | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Properties held for sale                              | <b>77,418</b>           | 89,202                  |
| Properties under development for sale ( <i>Note</i> ) | <b>24,870</b>           | 23,472                  |
| Crude oil   | <b>6,213</b>            | 1,624                   |
| Consumables   | <b>8,120</b>            | 10,840                  |
|   | <b>116,621</b>          | 125,138                 |

*Note:* The Group has entered into a joint venture agreement in the form of a jointly controlled asset to construct certain low-rise houses in Hong Kong. At 31 December 2011, the aggregate amount of assets recognised in the financial statements in relation to interests in jointly controlled assets is HK\$24,870,000 (2010: HK\$23,472,000).

**22. TRADE AND OTHER RECEIVABLES**

|                                       | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Ageing analysis of trade receivables: |                         |                         |
| Within 30 days                        | <b>3,442</b>            | 2,906                   |
| 31 days to 60 days past due           | <b>2,658</b>            | 1,311                   |
| 61 days to 90 days past due           | <b>1,507</b>            | 1,016                   |
| Over 90 days past due                 | <b>628</b>              | 4,424                   |
| Amounts past due                      | <b>4,793</b>            | 6,751                   |
| Trade receivables                     | <b>8,235</b>            | 9,657                   |
| Other receivables                     | <b>44,737</b>           | 23,931                  |
|                                       | <b>52,972</b>           | 33,588                  |

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

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

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

**23. CASH AND CASH EQUIVALENTS**

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



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## 24. TRADE AND OTHER PAYABLES

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Ageing analysis of trade payables:                                       |                         |                         |
| Within 30 days   | —                       | —                       |
| 31 days to 60 days   | —                       | 23                      |
| 61 days to 90 days   | —                       | 4                       |
| Over 90 days   | <b>6,118</b>            | 6,147                   |
| Trade payables   | <b>6,118</b>            | 6,174                   |
| Deposits received from sale of properties                                | <b>1,885</b>            | 1,235                   |
| Government fees and levies   | <b>74,493</b>           | 55,238                  |
| Outstanding consideration payable for<br>the acquisition of a subsidiary | <b>9,945</b>            | 15,600                  |
| Other payables   | <b>134,451</b>          | 73,501                  |
|  | <b>226,892</b>          | 151,748                 |

## 25. BANK LOANS

|                           | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---------------------------|-------------------------|-------------------------|
| Repayable within one year | <b>195,000</b>          | 180,000                 |

As at 31 December 2011, the secured bank loan could, as the discretion of the Group, be rollover up to March 2012. The loan was bearing interest as determined by a premium over the Hong Kong Interbank Offering Rates (the "HIBOR"), which is equal to the effective interest rate.

As at 31 December 2010, the secured bank loan was subject to review from time to time and bearing interest as determined by a premium over the HIBOR, which is equal to the effective interest rate.

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

**26. DEFERRED TAXATION**

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

|                                     | <b>Accelerated<br/>depreciation<br/>allowances</b><br><i>HK\$'000</i> | <b>Revaluation<br/>of assets</b><br><i>HK\$'000</i> | <b>Others</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|-------------------------------------|---|---|----------------------------------|---------------------------------|
| At 1 January 2011                   | <b>8,740</b>  | <b>29,290</b>                                       | <b>(17,617)</b>                  | <b>20,413</b>                   |
| (Credit)/charge to income statement | <b>(25)</b>   | <b>(5,826)</b>                                      | <b>598</b>                       | <b>(5,253)</b>                  |
| At 31 December 2011                 | <b>8,715</b>  | <b>23,464</b>                                       | <b>(17,019)</b>                  | <b>15,160</b>                   |
| At 1 January 2010                   | 2,204   | 34,574  | —                                | 36,778                          |
| Acquisition of a subsidiary         | (1,809)   | 9,801   | (17,488)                         | (9,496)                         |
| (Credit)/charge to income statement | 8,345   | (15,085)  | (129)                            | (6,869)                         |
| At 31 December 2010                 | 8,740   | 29,290  | (17,617)                         | 20,413                          |
|                                     |   |   | <b>2011</b><br><i>HK\$'000</i>   | 2010<br><i>HK\$'000</i>         |
| Recapitulation:                     |   |   |                                  |                                 |
| Deferred taxation — asset           |   |   | <b>(4,148)</b>                   | (2,195)                         |
| Deferred taxation — liability       |   |   | <b>19,308</b>                    | 22,608                          |
|                                     |   |   | <b>15,160</b>                    | 20,413                          |

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK\$395,136,000 (2010: HK\$1,511,282,000) available for offset against future profits, of which HK\$373,956,000 (2010: HK\$377,684,000) will be expired within 10 years from the balance sheet date and the remaining losses may be carried forward indefinitely.

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## 27. SHARE CAPITAL

|   | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <i>Authorised:</i>  |                         |                         |
| 10,000,000,000 ordinary shares of HK\$0.1 each                  | <b>1,000,000</b>        | 1,000,000               |
| 5,000,000,000 convertible preference shares<br>of HK\$0.01 each | <b>50,000</b>           | 50,000                  |
|   | <b>1,050,000</b>        | 1,050,000               |
| <i>Issued:</i>  |                         |                         |
| 4,438,967,838 fully paid ordinary shares<br>of HK\$0.1 each     | <b>443,897</b>          | 443,897                 |

### (a) Share premium

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

### (b) Capital management

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

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's borrowings (bank borrowings plus amounts due to immediate holding company and ultimate holding company) over equity attributable to equity holders of the Company. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2011 was 20.2% (2010: 19.0%).

## 28. SHARE OPTIONS

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

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

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

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

The offer of a grant of share options under the share option scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the share option scheme. The exercise price of the share options granted under the share option scheme is determinable by the directors, but may not be less than the highest of (i) closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

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

There was no share option granted under the share option scheme during the current and prior years or remain outstanding as at 31 December 2011.

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

As at 31 December 2011, loans from minority shareholders of a subsidiary of HK\$5,490,000 (2010: HK\$55,890,000) were classified as equity being the capital contribution on such subsidiary by those minority shareholders.

## 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of a subsidiary

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Property, plant and equipment                      | —                       | 1,060,890               |
| Oil exploitation assets                            | —                       | 129,060                 |
| Inventories  | —                       | 17,105                  |
| Trade and other receivables                        | —                       | 13,539                  |
| Cash and cash equivalents                          | —                       | 4,073                   |
| Deferred taxation                                  | —                       | 9,496                   |
| Trade and other payables                           | —                       | (121,003)               |
| Current taxation                                   | —                       | (701)                   |
| Net assets acquired                                | —                       | 1,112,459               |
| Gain from bargain purchase                         | —                       | (23,579)                |
|  | —                       | 1,088,880               |
| Satisfied by:                                      |                         |                         |
| Cash and cash equivalents                          | —                       | 1,065,480               |
| Deposit paid under derivative financial instrument | —                       | 7,800                   |
| Deferred settlement                                | —                       | 15,600                  |
| Total consideration                                | —                       | 1,088,880               |

An analysis of the net outflow of cash and cash equivalents in respect of acquisition of a subsidiary is as follows:

|   |   |             |
|---|---|-------------|
| Cash consideration  | — | (1,065,480) |
| Cash and cash equivalents acquired  | — | 4,073       |
| Net outflow of cash and cash equivalents<br>in respect of acquisition of a subsidiary | — | (1,061,407) |

**30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (continued)**(b) Disposal of subsidiaries**

|                           | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 6                | —                |
| Current taxation          | (69,483)         | —                |
|                           | (69,477)         | —                |
| Satisfied by:             |                  |                  |
| Cash and cash equivalents | 30               | —                |

An analysis of the net inflow of cash and cash equivalents in respect of disposal of subsidiaries is as follows:

|   |     |   |
|---|-----|---|
| Cash consideration  | 30  | — |
| Cash and cash equivalents disposed  | (6) | — |
| Net inflow of cash and cash equivalents<br>in respect of disposal of subsidiaries | 24  | — |

**(c) Major non-cash transactions**

During the year ended 31 December 2010, an amount of HK\$767,636,000 of the amount due to immediate holding company was received by offsetting with the settlement to the amount due to ultimate holding company.

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## 31. OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENTS

### a) Operating lease arrangements

*As Lessee*

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years. As at 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Within one year                        | 230                     | 919                     |
| In the second to fifth years inclusive | —                       | 229                     |
|  | <b>230</b>              | 1,148                   |

*As Lessor*

The Group leases certain of its inventories and investment properties under operating lease arrangements with lease terms for not exceeding six years. As at 31 December 2011, total future minimum lease receivables under non-cancellable operating leases are as follows:

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Within one year                        | 1,376                   | 3,630                   |
| In the second to fifth years inclusive | —                       | 7,733                   |
|  | <b>1,376</b>            | 11,363                  |

### b) Capital commitments

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

|                | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Contracted for | <b>26,640</b>           | —                       |

## 32. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, the Group had the following transactions with related parties:

- (a) The amount due to immediate holding company was unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. During the year, interest of HK\$11,045,000 (2010: HK\$7,084,000) was payable to the Immediate Holding Company.
- (b) The Ultimate Holding Company has granted a credit facility to the Group to the extent of HK\$1,300,000,000 (2010: HK\$1,300,000,000) which will be expired in March 2013. The facility is unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. As at 31 December 2011, the facility was utilised to the extent of HK\$680,579,000 (2010: HK\$627,901,000). During the year, interest of HK\$7,678,000 (2010: HK\$4,960,000) was payable to the Ultimate Holding Company.
- (c) During the year, the Group paid rental expenses and building management fees amounting to HK\$1,062,000 (2010: HK\$1,033,000) in aggregate to an intermediate holding company of the Company for the leasing of an administrative office in Hong Kong.
- (d) During the year, management fees totalling HK\$3,114,000 (2010: HK\$4,517,000) were payable to an intermediate holding company of the Company for the administrative expenses shared by the Group.
- (e) As at 31 December 2011, certain assets of a jointly controlled entity were pledged to a bank to secure banking facilities granted to the Group to the extent of HK\$195,000,000 (2010: HK\$195,000,000).

## 33. PLEDGE OF ASSETS

As at 31 December 2011, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charge over all of the Group's medium term leasehold land with an aggregate net book value of HK\$100,116,000 (2010: HK\$102,937,000);
- (b) legal charge over all of the Group's buildings with an aggregate net book value of HK\$27,309,000 (2010: HK\$28,079,000); and
- (c) floating charge over certain cash and cash equivalent of the Group of HK\$2,796,000 (2010: HK\$59,000).



# Notes to Financial Statements

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## 34. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### **Depreciation and amortisation**

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

Certain oil production assets and oil exploitation assets are depreciated and amortised on unit of production method based upon the estimated proved and probable oil reserves. The estimates of the Group's oil reserves are the best estimates based on the information currently available to the management and represent only approximate amounts because of the subjective judgements involved in developing such information. Oil reserve estimates are subject to revision, either upward or downward, based on new relevant information. Changes in oil reserves will affect unit of production depreciation, amortisation and depletion recorded in the Group's consolidated financial statements for property, plant and equipment and oil exploitation assets related to oil production activity. A reduction in oil reserves will increase depreciation, amortisation and depletion charges.

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

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

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

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

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

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

### **Estimated impairment of goodwill**

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

### **Interests in property development**

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

### **Estimated impairment of oil production assets and oil exploitation assets**

Oil production assets and oil exploitation assets are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future crude oil price, discount rate used in discounting the projected cash flow and production profile. However, the impairment reviews and calculations are only based on assumptions that are consistent with the Group's business plan, including all relevant licences and permits obtained, but crude oil price is affected by a wide range of global and domestic factors which are beyond the control of the Group. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

### **Estimated impairment of interest in subsidiaries**

In considering the impairment losses that may be required for the Company's interest in subsidiaries and amounts due from subsidiaries, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to the subsidiaries. The Company uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items.

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## 35. FINANCIAL RISK MANAGEMENT

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

### Interest rate risk

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

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

If interest rates had been increased/decreased by 100 basis points, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would decrease/increase by HK\$21,026,000 (2010: HK\$19,310,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rate is used when reporting interest rate risk. The analysis is performed on the same basis for 2010.

### Credit risk

The Group's maximum exposure to credit risk in the event of the counter-parties failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's credit risk is significantly reduced.

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

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

**35. FINANCIAL RISK MANAGEMENT** (continued)**Liquidity risk**

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

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

|   | Contractual undiscounted cash flows    |                     |                   | Balance sheet carrying amount<br>HK\$'000 |
|---|--|---------------------|-------------------|---|
|   | Within 1 year or on demand<br>HK\$'000 | Undated<br>HK\$'000 | Total<br>HK\$'000 |   |
| At 31 December 2011                     |  |                     |                   |   |
| Trade and other payables                | 225,007                                | —                   | 225,007           | 225,007                                   |
| Bank loans                              | 195,253                                | —                   | 195,253           | 195,000                                   |
| Amount due to immediate holding company | —                                      | 1,227,021           | 1,227,021         | 1,227,021                                 |
| Amount due to ultimate holding company  | —                                      | 680,579             | 680,579           | 680,579                                   |
|   | <b>420,260</b>                         | <b>1,907,600</b>    | <b>2,327,860</b>  | <b>2,327,607</b>                          |
| At 31 December 2010                     |  |                     |                   |   |
| Trade and other payables                | 150,513                                | —                   | 150,513           | 150,513                                   |
| Bank loans                              | 180,111                                | —                   | 180,111           | 180,000                                   |
| Amount due to immediate holding company | —                                      | 1,152,822           | 1,152,822         | 1,152,822                                 |
| Amount due to ultimate holding company  | —                                      | 627,901             | 627,901           | 627,901                                   |
|   | 330,624                                | 1,780,723           | 2,111,347         | 2,111,236                                 |

# Notes to Financial Statements

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## 35. FINANCIAL RISK MANAGEMENT (continued)

### Price risks

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

|                                     | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Assets                              |                         |                         |
| Level 1 (Notes)                     |                         |                         |
| — Held for trading investments      | 8,610                   | 13,095                  |
| Level 3 (Notes)                     |                         |                         |
| — Interests in property development | 10,190,981              | 10,173,404              |

#### Notes:

- Level 1: Assets/liabilities carrying at fair values measured using unadjusted quoted prices in active markets for identical financial instruments
- Level 2: Assets/liabilities carrying at fair values using quoted prices in active markets for similar financial instruments or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: Assets/liabilities carrying at fair values measured using valuation techniques in which any significant input is not based on observable market data

#### Equity price risk

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

At 31 December 2011, it is estimated that an increase/decrease of 5% in market value of the Group's held-for-trading investments, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would increase/decrease by HK\$431,000 (2010: HK\$655,000).

The sensitivity analysis above has been determined assuming that the changes in the equity price had occurred at the balance sheet date and had been applied to the exposure to equity security price risk in existence at that date. It is also assumed that the fair values of the Group's held-for-trading investments would change in accordance with the historical correlation with the relevant equity price and that all other variable remain constant. The analysis is performed on the same basis for 2010.

## 35. FINANCIAL RISK MANAGEMENT (continued)

### Price risks (continued)

#### *Other price risk*

The Group is also exposed to property price risk through its interests in property development classified as non-current assets. The Group assesses their fair value at least bi-annually through reviewing the prevailing market conditions and monitoring the progress of the property development. At 31 December 2011, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, the Group's fair value reserve would increase/decrease by HK\$636,603,000/HK\$636,564,000 (2010: HK\$643,122,000/HK\$643,129,000). The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the balance sheet date and had been applied to the exposure to property price risk in existence at that date. The analysis is performed on the same basis for 2010.

### Currency risk

The Group conducts its oil exploration and production business primarily in Kazakhstan. Currency exposure arises from sales of crude oil in currency other than the local currency of the domicile of the Group entity making the sale. The sales are substantially denominated in United States Dollars, whilst the costs are substantially denominated in Kazakhstan Tenge. Management considers this risk is insignificant to the Group as a whole but still manages and monitors this risk to ensure that its net exposure is kept to an acceptable low level.

# Notes to Financial Statements

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## 36. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2011 are as follow:

| Name                                   | Place of incorporation/<br>registration<br>and operations | Nominal value<br>of issued<br>ordinary<br>share capital/<br>registered<br>capital | Percentage<br>of equity<br>attributable to<br>the Company | Principal<br>activities   |
|--|---|---|---|---|
| <i>Directly held:</i>                  |   |   |   |   |
| Noble Prime International Limited      | British Virgin Islands                                    | US\$1   | 100%  | Investment holding  |
| Power Charm International Limited      | British Virgin Islands                                    | US\$1   | 100%  | Investment holding  |
| Power Mighty Limited                   | British Virgin Islands                                    | US\$1   | 100%  | Investment holding  |
| Sinocharm Trading Limited              | British Virgin Islands                                    | US\$1   | 100%  | Investment holding  |
| <i>Indirectly held:</i>                |   |   |   |   |
| Acestart Investments Limited           | British Virgin Islands/Macau                              | US\$1   | 70.5%   | Property trading and investment   |
| Caspi Neft TME                         | Kazakhstan  | 50,000,000 Tenge  | 100%  | Oil exploration and production  |
| Coöperatieve Power Mighty U.A.         | Netherlands   | —   | 100%  | Investment holding  |
| Eastford Development Limited           | Hong Kong   | HK\$100   | 100%  | Property development and investment                                       |
| Equal Talent Limited                   | British Virgin Islands                                    | US\$1   | 100%  | Investment holding  |
| Glentech International Company Limited | Hong Kong   | HK\$2   | 100%  | Property investment and development and provision of consultancy services |

## 36. PARTICULARS OF SUBSIDIARIES (continued)

| Name                                 | Place of incorporation/<br>registration<br>and operations | Nominal value<br>of issued<br>ordinary<br>share capital/<br>registered<br>capital | Percentage<br>of equity<br>attributable to<br>the Company | Principal<br>activities             |
|--------------------------------------|---|---|---|-------------------------------------|
| <i>Indirectly held: (continued)</i>  |   |   |   |                                     |
| Kam Yuen Property Investment Limited | Macau   | MOP30,000   | 58%   | Property investment and development |
| Marvel Talent Corporation            | British Virgin Islands                                    | US\$200   | 70.5%   | Inactive                            |
| Melosa Limited                       | British Virgin Islands                                    | US\$1   | 100%  | Inactive                            |
| Mission Geronimo Enterprises Limited | British Virgin Islands/Macau                              | US\$1   | 58%   | Provision of consultancy services   |
| New Bedford Properties Limited       | British Virgin Islands                                    | US\$1   | 100%  | Investment holding                  |
| New Cosmos Holdings Limited          | British Virgin Islands                                    | US\$100   | 58%   | Investment holding                  |
| Newest Luck Enterprises Limited      | British Virgin Islands/Macau                              | US\$1   | 58%   | Provision of consultancy services   |
| Noble Gainer Limited                 | Hong Kong   | HK\$2   | 100%  | Ice manufacturing                   |
| Power Giant Limited                  | British Virgin Islands/Macau                              | US\$1   | 100%  | Property trading and investment     |
| Power Mighty A N.V.                  | Curacao   | US\$6,000   | 100%  | Investment holding                  |
| Power Mighty B N.V.                  | Curacao   | US\$6,000   | 100%  | Investment holding                  |



# Notes to Financial Statements

31 December 2011

## 36. PARTICULARS OF SUBSIDIARIES (continued)

| Name   | Place of incorporation/<br>registration<br>and operations | Nominal value<br>of issued<br>ordinary<br>share capital/<br>registered<br>capital | Percentage<br>of equity<br>attributable to<br>the Company | Principal<br>activities                         |
|--|---|---|---|---|
| <i>Indirectly held: (continued)</i>              |   |   |   |   |
| Power Mighty B.V.                                | Netherlands   | Euro18,000  | 100%  | Investment holding                              |
| Profit Sphere International Limited              | British Virgin Islands                                    | US\$1   | 100%  | Investment holding                              |
| Richstone International Limited                  | Hong Kong   | HK\$1   | 100%  | Property development and investment             |
| Sheen Concord Enterprises Limited                | Hong Kong   | HK\$2   | 100%  | Inactive  |
| Success Ever Limited                             | British Virgin Islands                                    | US\$1   | 100%  | Investment holding                              |
| Sunpark International Limited                    | British Virgin Islands/Macau                              | US\$10  | 58%   | General trading                                 |
| The Hong Kong Ice & Cold Storage Company Limited | Hong Kong   | HK\$500,000   | 100%  | Ice manufacturing and provision of cold storage |
| Think Bright Limited                             | British Virgin Islands/Macau                              | US\$200   | 70.5%   | Property trading and investment                 |
| Top Vision Assets Limited                        | British Virgin Islands                                    | US\$1   | 100%  | Investment holding                              |
| Wide Universe International Limited              | British Virgin Islands                                    | US\$1   | 100%  | Financial investment                            |

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

## 37. NOTES ON THE COMPANY'S BALANCE SHEET

## (a) Investments in subsidiaries

|                  | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|------------------|------------------|------------------|
| Cost             | 1                | 101,039          |
| Less: Impairment | —                | (101,038)        |
|                  | <b>1</b>         | <b>1</b>         |

## (b) Amounts due from subsidiaries

|                               | 2011<br>HK\$'000  | 2010<br>HK\$'000 |
|-------------------------------|-------------------|------------------|
| Amounts due from subsidiaries | <b>11,264,202</b> | 11,145,257       |
| Less: Impairment              | <b>(13,690)</b>   | (74,274)         |
|                               | <b>11,250,512</b> | 11,070,983       |

Amounts due from subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts approximate their fair values at the balance sheet date.

## (c) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts approximate their fair values at the balance sheet date.

## (d) Reserves of the Company

|                          | Share<br>premium<br>account<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------|---|---------------------------------|-------------------|
| At 1 January 2011        | <b>5,912,600</b>                        | <b>2,383,667</b>                | <b>8,296,267</b>  |
| Loss for the year        | —                                       | <b>(16,827)</b>                 | <b>(16,827)</b>   |
| Dividends paid (note 12) | —                                       | <b>(106,535)</b>                | <b>(106,535)</b>  |
| At 31 December 2011      | <b>5,912,600</b>                        | <b>2,260,305</b>                | <b>8,172,905</b>  |
| At 1 January 2010        | 5,912,600                               | 2,503,428                       | 8,416,028         |
| Loss for the year        | —                                       | (13,226)                        | (13,226)          |
| Dividends paid (note 12) | —                                       | (106,535)                       | (106,535)         |
| At 31 December 2010      | 5,912,600                               | 2,383,667                       | 8,296,267         |

# Notes to Financial Statements

31 December 2011

## 37. NOTES ON THE COMPANY'S BALANCE SHEET (continued)

### (e) Liquidity risk and contingent liabilities of the Company

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

|   | Contractual undiscounted cash flows    |                     |                   | Balance sheet carrying amount<br>HK\$'000 |
|---|--|---------------------|-------------------|---|
|   | Within 1 year or on demand<br>HK\$'000 | Undated<br>HK\$'000 | Total<br>HK\$'000 |   |
| At 31 December 2011                     |  |                     |                   |   |
| Other payables                          | 5,547                                  | —                   | 5,547             | 5,547                                     |
| Amounts due to subsidiaries             | 764,454                                | —                   | 764,454           | 764,454                                   |
| Amount due to immediate holding company | —                                      | 1,227,021           | 1,227,021         | 1,227,021                                 |
| Amount due to ultimate holding company  | —                                      | 680,579             | 680,579           | 680,579                                   |
|   | <b>770,001</b>                         | <b>1,907,600</b>    | <b>2,677,601</b>  | <b>2,677,601</b>                          |
| At 31 December 2010                     |  |                     |                   |   |
| Other payables                          | 15,102                                 | —                   | 15,102            | 15,102                                    |
| Amounts due to subsidiaries             | 828,949                                | —                   | 828,949           | 828,949                                   |
| Amount due to immediate holding company | —                                      | 1,152,822           | 1,152,822         | 1,152,822                                 |
| Amount due to ultimate holding company  | —                                      | 627,901             | 627,901           | 627,901                                   |
|   | 844,051                                | 1,780,723           | 2,624,774         | 2,624,774                                 |

The Company exposes to liquidity risk that arises from guarantees in respect of banking facilities of certain subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation and the maximum amount callable as at 31 December 2011 was HK\$1,857,000,000 (2010: HK\$1,995,835,000) of which to the extent of HK\$195,000,000 (2010: HK\$180,000,000) were utilised.

## Particulars of Properties

31 December 2011

| Property  | Purpose                    | Gross floor area/<br>site area                       | Group interest (%) | Stage of completion            | Expected completion date |
|---|----------------------------|--|--------------------|--------------------------------|--------------------------|
| <i>Properties held for sale of the Group:</i>   |                            |  |                    |                                |                          |
| 47 carparking spaces of Pacifica Garden, Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau  | Commercial                 | 47 carparking spaces                                 | 58                 | Completed                      | N/A                      |
| 61 shop units and 59 carparking spaces of China Plaza at Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau   | Commercial                 | 4,023.88 square metres and 59 carparking spaces      | 70.5               | Completed                      | N/A                      |
| Lot no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong   | Residential                | 1,122.26 square metres                               | 100                | Completed                      | N/A                      |
| <i>Properties held for development for sale of the Group:</i>   |                            |  |                    |                                |                          |
| Lots nos. 3753G, 3753H, 3753J, 3753K, 3753L, 3753M, 3753N, 3779C, 3779D, 3780B, 3781A, 3781B, 3781C, 3782A, and 3782RP in Demarcation District No. 124, Tuen Mun, New Territories Hong Kong | Residential                | 2,870.70 square metres/<br>1,770.00 square metres    | 60                 | Superstructure completed       | 2012                     |
| Lotes P and T+T1 at The Orient Pearl District Novos Aterros da Areia Preta, Macau*  | Residential/<br>Commercial | 895,263.00 square metres/<br>85,970.00 square metres | 80                 | Construction not yet commenced | From 2015 to 2017        |

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

## Particulars of Properties

31 December 2011

| Property   | Purpose    | Gross floor area                                  | Group interest (%) | Category of lease |
|--|------------|---|--------------------|-------------------|
| <i>Investment properties of the Group:</i>   |            |   |                    |                   |
| 14 carparking spaces of Va long at Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259 Macau  | Commercial | 14 carparking spaces                              | 100                | Medium term lease |
| <i>Investment properties of the jointly controlled entity:</i>   |            |   |                    |                   |
| 208 shop units, 208 office units and 265 carparking spaces of The Macau Square at Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113, Macau | Commercial | 36,553.05 square metres and 265 carparking spaces | 50                 | Medium term lease |