金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
證券代號 Stock code: 0878

年報
Annual Report 2009

Contents

Corporate Information

DIRECTORS

Executive Directors:

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling
KONG Siu Man, Kenny
TSE Chun Kong, Thomas

Non-Executive Directors:

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

Independent Non-Executive Directors:

CHAN Kai Nang
KWAN Kai Cheong
PAO Ping Wing

COMPANY SECRETARY

TSE Wai Hang

AUDITORS

Grant Thornton
Certified Public Accountants

LEGAL ADVISORS

Lo, Wong & Tsui
Conyers Dill & Pearman

WEBSITE

www.soundwill.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Chairman's Statement

Looking back to 2009, the international financial market regained its foothold and the proactive economic stimulus measures gradually showed effects. During the second half of the year as the operation of diverse companies quickly rebounded, the public's sentiment for investments in properties became more upbeat with the capital flow being drawn to the property sector, and the real estate market benefited as a result. The number of people from different provinces of the PRC coming to visit Hong Kong as well as their consumption power kept increasing, that fueled the contribution to the economy by different businesses and the branded retail sector and also fostered the wave of investment in the local real estate market.

The Group operated its businesses of development of quality buildings, property assembling, acquisition, and re-sale, property management, and leasing in an optimistic yet cautious manner. Its property projects all situated at prime locations that enjoy high pedestrian flow. Profits from property assembling and redevelopment, and rental income from investments in Grade A commercial building and shops were satisfactory, whereas the rate of lease renewal was above 90%. All these reflected a stabilisation of the overall atmosphere for business operations.

Chairman's Statement

During the past year and same as in the past, the Group focused on property acquisition and redevelopment projects in aged districts for the revitalisation of the urban areas, enhancement of facilities in the community and improvement of living amenities, which in turn steered the property development business in the direction of improving the environment. While the banks became more responsive in the provision of property mortgage services, low interest rates helped to restore the public's confidence and determination in investing in properties. These were coupled by the heated market demand for properties with high quality and stronger long-term appreciation potential which propelled a continued rebound in the volume of residential properties transactions.

The Group would like to take this opportunity to thank its shareholders, investors and customers for their consistent trust and support. The Group would also like to express gratitude to its staff for their unrelenting dedication and contribution to the overall business development of the Group.

Foo Kam Chu, Grace

Chairman

Hong Kong, 22 April 2010

Directors' Profile

FOO Kam Chu, Grace, aged 66, is the founder and Chairman of the Group. Madam Foo has extensive experience in property market. She has been engaged in the property business in Hong Kong since early 1970s, particularly specialised in the acquisition of old buildings for redevelopment into commercial or residential buildings. Madam Foo is currently responsible for the Group's overall development direction and strategies. Furthermore, she serves as a standing committee member of Guangzhou Committee of the Chinese People's Political Consultative Conference and has been elected as an honorary citizen of Guangzhou and executive committee member of Guangdong Province (Women) Members Association. She is familiar with the political and economic affairs in the PRC.

CHAN Wai Ling, aged 39, is an Executive Director of the Company. She is in charge of Hong Kong property department and is responsible for the property development and leasing of Hong Kong properties of the Group. She graduated from the University of Toronto, Canada with a bachelor degree in commerce and also obtained a Master of Business Administration Degree from University of Strathclyde, United Kingdom. Before joining the Group in September 1998, she had worked in an international property consultant firm and had operated her own property investment business for more than five years. She is currently the board member of the Executive Board of Entrepreneurs' Organization – Hong Kong Chapter and Trustee of the St. Paul's Convent School Alumni Association Charitable Trust. She is also the daughter of the Group's Chairman.

TSE Chun Kong, Thomas, aged 48, is the Executive Director in charge of the Group's property investment and urban infrastructure development in Mainland China. Mr. Tse graduated from McMaster University, Canada with a bachelor degree in Civil Engineering, and also obtained his master degree of Business Administration from the City University of New York, USA. He joined the Company in 1997 and has over 20 years experience in the Hong Kong and Mainland property market.

KONG Siu Man, Kenny, aged 47, is the Executive Director in charge of the property development of the Group. Mr. Kong graduated from the Hong Kong Polytechnic University. He is a Chartered Surveyor of Royal Institution of Chartered Surveyors of Hong Kong, a Registered Professional Surveyor and an Authorized Person under Buildings Ordinance of Hong Kong SAR Government. He joined the Company in 2009 and has over 21 years experience in the Mainland and Hong Kong property market.

LIANG Yanfeng, aged 44, has been a Non-Executive Director and the non-executive vice-chairman of the Board of the Company since 5 December 2006. Mr. Liang is also an executive director of COSCO International Holdings Limited and an non-executive director of Sino-Ocean Land Holdings Limited, both of which are listed on the Stock Exchange. Mr. Liang had been an executive director of COSCO Pacific Limited. Mr. Liang has a Master's degree in Laws and an Executive Master of Business Administration from the Department of Social Science and the School of Economics and Management of Tsinghua University respectively and the Senior Economist qualification awarded by the Ministry of Communications of the PRC. He has extensive experience in corporate management and capital market operation.

Directors' Profile

MENG Qinghui, aged 54, has been a Non-Executive Director of the Board of the Company since 22 April 2003. He is also a non-executive director of COSCO International Holdings Limited and Chong Hing Bank Limited, both of which are listed on the Stock Exchange and the managing director of Finance Division of COSCO (Hong Kong) Group Limited. Mr. Meng graduated from Central South University and has the PRC accountant qualification. He has extensive experience in corporate financial management and accounting and is also familiar with corporate financial planning.

KWAN Kai Cheong, aged 60, appointed as Independent Non-Executive Director of the Company on 30 September 2004, holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. Mr. Kwan is currently the President of Morrison & Company Limited which is a business consultancy firm and a non-executive director of China Properties Group Limited and JF Household Furnishings Limited which are listed on the Stock Exchange. He is also an independent non-executive director of several other companies listed on the Stock Exchange including Hutchison Harbour Ring Limited and Hutchison Telecommunications International Limited.

CHAN Kai Nang, aged 64, appointed as Independent Non-Executive Director of the Company on 11 March 2009, received a Postgraduate Diploma in Management Studies from The University of Hong Kong and Bachelor of Laws from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the UK and a fellow member of The Association of Chartered Certified Accountants in the UK and The Hong Kong Institute of Certified Public Accountants. Mr. Chan has been a top level executive with substantial experience in major multinational and local corporations. He had been the regional controller and senior executive of these corporations for many years. Mr. Chan was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) and managing director of K. Wah Construction Materials Limited. The shares of the above-named Company are listed on the Stock Exchange. He is currently an adviser of K. Wah Construction Materials Limited.

PAO Ping Wing, aged 61, appointed as Independent Non-Executive Director of the Company on 6 November 2009, received a Master of Science degree in Human Settlements Planning and Development from the Asian Institute of Technology in Bangkok, Thailand. Mr. Pao was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He was also an ex-Urban Councillor. In the past 20 years plus, he has been actively serving on government policy committees and statutory bodies, especially those of town planning, urban renewal, public housing, culture and arts and environment matters. Mr. Pao is an Hon. Fellow of The Hong Kong Institute of Housing. He is also an independent non-executive director of several other companies listed on the Stock Exchange including Oriental Press Group Limited, UDL Holdings Limited, Sing Lee Software (Group) Limited, Hembly International Holdings Limited, Zhuzhou CSR Times Electric Co., Ltd. and Maoye International Holdings Limited.

Operations Review and Prospects

BUSINESS REVIEW

Property Assembling Business

During the year, the Group completed a property assembling and land re-sale project at Nos. 1-11 Jones Street and Nos. 3-11 Warren Street in Tai Hang with a total site area of approximately 6,676.5 square feet. The net profit after tax from the acquisition and sale of the property amounted to approximately HK$129,000,000.

Property Leasing

During the year under review, the total rental income amounted to approximately HK$208,642,000. Against a background of increasing consumer inflation and living standards, and its being strongly supported by overseas and mainland individual visitors as a dining and shopping paradise, Hong Kong enjoyed exceptional prosperity in the retail and service industry. Located in the prime area in Causeway Bay clustered by entertainment & consumer facilities and enjoying convenient transportation, Soundwill Plaza recorded an occupancy rate of 99% for the year. The rental income amounted to approximately HK$186,000,000, representing 89% of the total rental income of the Group and an increase of 8% over last year. The average tenant lease term was over 2 years.

The Group has successfully acquired over 80% ownerships at Nos. 32-50 Haven Street which has a gross floor area of approximately 186,188 square feet and a total of 78 units and is now for leasing purpose. The rental income for the year amounted to approximately HK$8,369,000. The Group is to actively devise the optimal redevelopment plan for this project to meet with market demands, and expects this project will give profitable returns to the Group in the future.

Operations Review and Prospects

Property Development

The Group is in the course of constructing a new luxury residential project, Warrenwoods, at Nos. 13-27 Warren Street in Tai Hang, which has a site area of approximately 8,848 square feet, a gross floor area of approximately 79,632 square feet and 164 luxury apartment units and is scheduled for occupancy before mid 2012. In addition, Nos. 5-29 Tang Lung Street with a total gross floor area of approximately from 113,600 to 121,848 square feet is intended for developing into a composite development project that will become the next focus of trendy shopping in the locality. Upon completion, the project will give considerable returns to the Group.

Business in Mainland China

The Group undertook urban infrastructure business at various parts in the Mainland and maintained steady growth during the year, including cities such as Xian, Liuzhou, Shaoguan, Xuchang and Nanchang.

Economic development in PRC remained on a healthy track under the strategy of stabilising the property market and encouraging property investment for self-use by the PRC government. Long Feng Chun Xiao, a luxury residential development in Doumen District, Zhuhai has completed planning and is now under construction. It has a site area of approximately 23,000 square metres and a gross floor area of approximately 55,000 square meters, providing over 500 residential units. The first phase of the project may be launched for pre-sale in around 2010.

Property Management, E & M and Building Maintenance

The four property management and maintenance subsidiaries under the Group form a professional service team that is engaged in the provision of comprehensive and diversified management and maintenance services for a number of large-scale commercial buildings, small to medium sized residential properties, estates and shopping malls, and provide high standard service of property management to the owners and occupiers there. Turnover from these four subsidiaries during the year amounted to HK$16,403,000 (2008: HK$15,432,000), representing an increase of 6% as compared to last year.

Corporate Citizen

Committed to the principle of caring more, inputting more and participating more for society and community welfare activities, the Group was awarded the accreditation of "Caring Company" for three consecutive years. During the year, the Group has co-organised the charity fundraising of Yan Oi Tong "The Caring Company Scheme" and has comprehensively used energy saving programmes in its commercial building to proactively promote environmental protection awareness in the office. In the future, the Group will continue to care the community through actions and will strive to concert effort from different streams to promote charity activities and so to make contributions to society.

PROSPECTS

Looking ahead, the global economic condition is expected to continuously recover amidst improvement in the market environment, whereas Mainland visitors will bring unlimited vitality to the local retail and service industries and thereby fuelling the economy to reach new heights. As the flagship property of the Group, Soundwill Plaza will continue to generate stable rental income to the Group. The Group will from time to time review the tenant mix and provide quality property management service to maintain the status of Grade A commercial building.

Hong Kong Government's stringent control on land supply and continuous improvement in property sales related policies will assist the long term healthy development in the property market, and stabilize property price. Property transaction volume could keep pace with that of last year and financial market could remain stable, and will all lay a solid foundation for the growth and promotion of the Group's businesses.

Against these backgrounds, the Group will accelerate the construction and redevelopment of prime properties, revitalize and improve the environment of old districts, actively recruit more professional and experienced elite to develop new projects and enhance the scope of property management services. Through these strategies, a substantial return for the Group and shareholders together with a healthy and stable cash flow will be expected to support the investment on various property projects.

The Group would like to take this opportunity to thank our shareholders, investors and customers for their continuous trust and support. The Group would also like to express our gratitude to our staff for their unrelenting dedication and contribution to the overall business development of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group has achieved a profit attributable to owners of the Company of approximately HK$1,058,583,000 (2008: HK$162,471,000), an increase of 552% as compared with last year. This increase was mainly due to an increase of HK$777,751,000 arising from the net gain on fair value adjustments on investment properties (net of deferred tax) as compared with last year. Earnings per share was HK$4.42 (2008: HK$0.70), representing an increase of 531% over last year.

If the net gain on fair value adjustments on investment properties (net of deferred tax) were to be excluded, the Group's profit for the year would be approximately HK$249,906,000 (2008: HK$131,545,000), representing an increase of about 90% as compared with last year. This was mainly due to a net profit after tax on disposal of properties held for sale in Hong Kong of approximately HK$129,000,000 recorded in the year from the property assembly segment.

For the year ended 31 December 2009, the Group has recorded a turnover of approximately HK$713,714,000 (2008: HK$338,991,000), representing an increase of about 111% over last year. If the revenue of HK$423,000,000 (2008: HK$85,000,000) from property assembly segment was excluded, the increase in turnover was 14% which was mainly due to higher rental income contribution in 2009. The Group's gross profit for the year amounted to approximately HK$370,599,000 (2008: HK$266,891,000), representing a 39% increase as compared with last year.

DISPOSAL OF SIGNIFICANT INVESTMENT HELD

The Group disposed of its properties held for sale located at Nos. 1-11 Jones Street and Nos. 3-11 Warren Street at a consideration of HK$423,000,000. The transaction was duly completed on 27 February 2009. The transaction brought along with a net profit after tax of approximately HK$129,000,000.

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

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2009, the Group's total borrowings amounted to HK$2,103,733,000 (2008: HK$2,420,391,000). Cash and bank balances amounted to HK$143,811,000 (2008: HK$328,922,000) and net borrowings amounted to HK$1,959,922,000 (2008: HK$2,091,469,000) respectively.

The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) has been decreased from 62% in 2008 to 43% in 2009. The total interest expenses for the year ended 31 December 2009 amounted to HK$25,424,000 (2008: HK$61,419,000) respresenting a decrease of HK$35,995,000, mainly due to a reduction in bank borrowings and interest rates during the year. As at 31 December 2009, the Group's borrowings were on a floating rates basis.

As at 31 December 2009, the Group's total net assets amounted to approximately HK$4,943,767,000 (2008: HK$3,873,021,000), an increase of HK$1,070,746,000 or 28% when compared with last year. With the total number of ordinary shares in issue of 240,034,135 (2008: 239,184,135) as at 31 December 2009, the net asset value per share was HK$20.60 (2008: HK$16.19).

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. Given that the continuous appreciation of Renminbi would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented any hedging measures during the year.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2009, investment properties, properties held for sale and properties under development of the Group with a total carrying value of approximately HK$7,254,886,000 (2008: approximately HK$6,518,522,000) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

(a) In September 2009, a subsidiary of the Company (the "Subsidiary") as a plaintiff commenced a legal proceeding (HCA1902/2009) against a joint venture partner (the "JV Partner"), with whom the Subsidiary entered into a joint venture agreement (the "JV Agreement") for the development and construction of village houses on a number of pieces of land in New Territories (the "Lands") since 2005, and a number of individuals seeking, inter alia, declaratory relief for its proprietary interests in the Lands and injunctive relief against the said individuals, in response to the allegations and claims of the JV Partner to oust the Subsidiary from the joint development on the alleged ground that the Subsidiary was in breach of the terms of the JV Agreement. Thereafter, two further sets of legal proceedings were also instituted between the Subsidiary and the parties related (HCMP1760/2009 and HCA1931/2009).

Pleadings have been exchanged and the Subsidiary has pleaded its claims against the parties concerned, and in the subject land development. It is rather difficult at this stage to opine on the outcome of the above legal proceedings as they are still at the very preliminary stage and the documents disclosed by the parties are limited. According to the legal advice, it is beyond controversy that the Subsidiary did spend substantial amount of expenses for construction and improvement of the subject land development, to the knowledge of the relevant individuals claiming to be the owners of the pieces of land. As such, it would be difficult to argue that the Subsidiary had no proprietary interests in the subject land development. The management is therefore of the opinion that it is premature to consider making any provision for impairment against the outstanding balance as at the reporting date.

(b) A legal proceeding relating to a former owner challenging the reserve price for the auction sales of certain properties situated at 44 and 46 Haven Street is still under progress. On 24 March 2009, the Lands Tribunal made a judgement for the former owner to pay 90% of the costs of the Group for the Lands Tribunal proceeding. The former owner seeks to apply to the Lands Tribunal to review the cost order. The former owner also appeals to the Court of Appeal to set aside the cost order and is seeking to adjust upward the reserve price. If the cost order is reversed against the Group and the former owner succeeds in the appeal, the Group may have to bear all costs incurred in the Lands Tribunal proceeding and top up the shortfall of the portion of the reserve price payable which amounted to HK$1,200,000 and HK$6,190,000 respectively. According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fairly good chance to succeed in the review and the appeal and hence no provision was made for this legal proceeding as at reporting date.

(c) Another legal proceeding is related to the review and appeal of the auction sales price of certain properties situated at 48 and 50 Haven Street from its former owners. The Lands Tribunal made a judgement dated 27 March 2009 and as amended on 28 April 2009 for compulsory auction sale of the properties under Cap. 545 and also made an order for the former owners to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The auction sale has since been conducted and completed. The former owners apply to the Lands Tribunal to review the cost order but are not challenging the order for compulsory auction sale, the reserve price and their share and entitlement to the proceeds of the sale. If the cost order is reversed against the Group, the Group would have to bear all costs incurred in the Lands Tribunal and the legal costs and expenses incurred is about HK$700,000. The former owners have not substantiated their grounds for reversing the cost order. The Directors consider that it would not incur a material outflow of resources as a result of this legal proceeding.

Save as aforesaid, the Group did not have any material contingent liabilities as at 31 December 2009.

EMPLOYEES REMUNERATION

The Group had 132 employees and 121 employees in Hong Kong and Mainland China respectively as at 31 December 2009. Total salaries and wages incurred during the year amounted to approximately HK$40,152,000 (2008: approximately HK$37,517,000). Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the year, share options were also granted to various directors and employees on a performance related basis.

Corporate Governance Report

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

BOARD OF DIRECTORS

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

Board Composition

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

Executive directors:

Madam Foo Kam Chu, Grace
Ms. Chan Wai Ling
Mr. Tse Chun Kong, Thomas
Mr. Kong Siu Man, Kenny *(appointed on 6 November 2009)*
Mr. Kwan Chai Ming *(resigned on 1 June 2009)*

Non-executive directors:

Mr. Liang Yanfeng
Mr. Meng Qinghui

Independent non-executive directors:

Mr. Kwan Kai Cheong
Mr. Chan Kai Nang *(appointed on 11 March 2009)*
Mr. Pao Ping Wing *(appointed on 6 November 2009)*
Ms. Ho Suk Yin *(resigned on 6 November 2009)*

Board Meetings and Attendance

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

Directors	Attendance
Madam Foo Kam Chu, Grace	8/8
Ms. Chan Wai Ling	8/8
Mr. Tse Chun Kong, Thomas	8/8
Mr. Kong Siu Man, Kenny*	2/2
Mr. Liang Yanfeng	8/8
Mr. Meng Qinghui	8/8
Mr. Kwan Kai Cheong	8/8
Mr. Chan Kai Nang*	7/7
Mr. Pao Ping Wing*	2/2
Mr. Kwan Chai Ming*	2/2
Ms. Ho Suk Yin*	5/5

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

The biographies of the directors are set out in pages 5 to 6, which demonstrate a diversity of skills, expertise, experience and qualifications.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

RESPONSIBILITIES OF DIRECTORS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

SUPPLY OF AND ACCESS TO INFORMATION

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

Mr. Kwan Kai Cheong *(Chairman)*
Mr. Chan Kai Nang *(appointed on 11 March 2009)*
Mr. Pao Ping Wing *(appointed on 6 November 2009)*
Ms. Chan Wai Ling
Mr. Kwan Chai Ming *(resigned on 1 June 2009)*
Ms. Ho Suk Yin *(resigned on 6 November 2009)*

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

Director	Attendance
Mr. Kwan Kai Cheong	5/5
Mr. Chan Kai Nang*	4/4
Mr. Pao Ping Wing*	1/1
Ms. Chan Wai Ling	5/5
Mr. Kwan Chai Ming*	1/1
Ms. Ho Suk Yin*	3/3

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

INTERNAL CONTROL

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

AUDIT COMMITTEE

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

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

Mr. Chan Kai Nang *(Chairman) (appointed on 11 March 2009)*
Mr. Kwan Kai Cheong
Mr. Pao Ping Wing *(appointed on 6 November 2009)*
Ms. Ho Suk Yin *(resigned on 6 November 2009)*

Mr. Chan Kai Nang and Mr. Kwan Kai Cheong are senior professional accountants possess professional accountancy qualification.

During the year, the Audit Committee met twice. The final results for the year ended 31 December 2008 and the interim results for the six months ended 30 June 2009 have been reviewed and commented by the Audit Committee.

Director	**Attendance**
Mr. Chan Kai Nang*	2/2
Mr. Kwan Kai Cheong	2/2
Mr. Pao Ping Wing*	0/0
Ms. Ho Suk Yin*	2/2

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

AUDITORS' REMUNERATION

During the year, the fee incurred for audit and non-audit services for the Group are approximately HK$1,699,000 and HK$448,000 respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property assembly, property development, property leasing and provision of building management services in Hong Kong and urban infrastructure development and property development in the Mainland. Other particulars of the subsidiaries are set out in note 49 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 30 to 128.

The Board recommend a payment of a final dividend of HK$0.10 (2008: HK$0.07) per share for the year ended 31 December 2009, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 8 July 2010 to shareholders whose names appear on the register of members on 1 June 2010.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates are set out in notes 20 and 21 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in note 34 to the financial statements.

SHARE CAPITAL

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

RESERVES

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

SHARE OPTIONS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 130.

PROPERTIES

Particulars of the major properties held by the Group are set out on page 129.

DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 5 to 6.

Pursuant to Bye-law 86(2) & 87(1), Mr. Kong Siu Man, Kenny, Mr. Kwan Kai Cheong, Mr. Liang Yanfeng, Mr. Meng Qinghui and Mr. Pao Ping Wing, existing directors of the Company, will be retiring from office at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

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

1. Directors' Interests in the Company

As at 31 December 2009, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	170,940,028 *(Note)*	71.16
	Beneficial owner	96,602	0.04
Tse Chun Kong, Thomas	Interest of spouse	6,000	0.00
	Beneficial owner	150,723	0.06

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

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

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

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

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant *(HK$)*	Subscription Price per Share *(HK$)*
Foo Kam Chu, Grace	Beneficial owner	600,000	18/01/2008 to 21/07/2012	1.00	6.17
		600,000	27/04/2009 to 21/07/2012	1.00	1.76
		600,000	09/11/2010 to 21/07/2012	1.00	4.94
Chan Wai Ling	Beneficial owner	2,000,000	18/01/2008 to 21/07/2012	1.00	6.17
		2,000,000	27/04/2009 to 21/07/2012	1.00	1.76
		2,000,000	09/11/2010 to 21/07/2012	1.00	4.94
Tse Chun Kong, Thomas	Beneficial owner	90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
		90,000	27/04/2009 to 21/07/2012	1.00	1.76
		90,000	09/11/2010 to 21/07/2012	1.00	4.94
Kong Siu Man, Kenny	Beneficial owner	120,000	09/11/2010 to 21/07/2012	1.00	4.94
Liang Yanfeng	Beneficial owner	90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
		90,000	27/04/2009 to 21/07/2012	1.00	1.76
Meng Qinghui	Beneficial owner	90,000	06/01/2005 to 05/01/2010	1.00	1.47
		90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
		90,000	27/04/2009 to 21/07/2012	1.00	1.76

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

2. Directors' Interests in Associated Corporations

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

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and note 38 to the financial statements, at no time during the year ended 31 December 2009, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the persons other than a Director or chief executive of the Company who have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

1. **Long positions in the Shares**

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	170,940,028	71.16

Save as disclosed above, as at 31 December 2009, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 1% of the Group's purchases were attributable to the Group's largest supplier and approximately 4% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 5% of the Group's turnover were attributable to the Group's largest customer and approximately 16% of the Group's turnover were attributable to the Group's five largest customers.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS

During the year, other than those the disclosure of which are exempted pursuant to Rule 14A.31 and 14A.65 of the Listing Rules (details of such connected transactions being also related party transactions are mentioned in note 43 to the financial statements), the Group has entered into the following connected transactions:

(1) On 24 December 2009, Shan Shui Huacheng Property Management Company Limited ("Shan Shui Management"), a subsidiary held by the Company through Soundwill Real Estate (China) Limited ("Soundwill Real Estate"), acquired 100% equity interest in Zhuhai Doumen Hengfeng Building Materials Trading Company Limited ("Hengfeng") from various individuals namely Mr. Huang Xiao Chun, Mr. Chen Si Yu and Mr. Zhao Ming Bo (the "Sellers"). Hengfeng owns the land use right of a piece of land situated at Zhuhai with an area of approximately 23,329.28 square meters and is at present being used for industrial purpose with factory building erected thereon. The total consideration payable by Shan Shui Management shall be RMB11,843,000 (HK$13,501,000 equivalents). Pursuant to the agreement dated 24 December 2009 entered into by the Sellers and Shan Shui Management, upon the completion of the transfer of the shareholdings, both Soundwill Real Estate and the Sellers are required to make further capital contribution of RMB12,326,000 (HK$14,052,000 equivalents) and RMB11,843,000 (HK$13,501,000 equivalents) respectively into Shan Shui Management for general working capital, including the development of the land. The capital contribution payable by the Sellers shall be set off against the consideration payable by Shan Shui Management to the Sellers.

The Sellers hold the entire equity interest in Zhuhai Doumen Zhong Xin Xingye Trading Company ("Zhong Xin") which is the substantial shareholder (as defined in the Listing Rules) of Shan Shui Management. Accordingly, Zhong Xin is a connected person of the Company while the Sellers are the associates of Zhong Xin and the connected persons of the Company. As such, the acquisition constitutes a connected transaction for the Company and details thereof were disclosed in the announcement dated 29 December 2009 published in accordance with Chapter 14A of the Listing Rules.

(2) On 31 December 2009, Shan Shui Management acquired from Zhong Xin, the substantial shareholder (as defined in the Listing Rules) of Shan Shui Management, the 100% of the right to develop 6 pieces of undeveloped land situated at Zhuhai with an area of approximately 19,997.6 square meters permitted to be used for the residential and commercial purposes. The total consideration payable by Shan Shui Management shall be RMB11,998,000 (HK$13,678,000 equivalents). Pursuant to the agreement dated 31 December 2009 entered into by Shan Shui Management and Zhong Xin, upon the completion of the transaction, both Soundwill Real Estate and Zhong Xin are required to make further capital contribution of RMB12,488,000 (HK$14,236,000 equivalents) and RMB11,998,000 (HK$13,678,000 equivalents) respectively into Shan Shui Management for general working capital, including the development expenditure for the land. The contribution payable by Zhong Xin shall be set off against the consideration payable by Shan Shui Management to Zhong Xin.

Zhong Xin is a company incorporated in the PRC with limited liabilities and the substantial shareholder (as defined in the Listing Rules) of Shan Shui Management, a subsidiary held by the Company through Soundwill Real Estate. Accordingly, Zhong Xin is a connected person of the Company. As such, the acquisition constitutes a connected transaction for the Company and details thereof were disclosed in the announcement dated 4 January 2010 published in accordance with Chapter 14A of the Listing Rules.

As at the reporting date, the above two transactions are still in the process of obtaining the approvals from the relevant government authorities for transferring the shareholdings and/or the right to develop the lands. Details of the transactions are set out in the Company's announcements dated 29 December 2009 and 4 January 2010 respectively.

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at 22 April 2010, the latest practicable date prior to the issue of this annual report.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2010 to Tuesday, 1 June 2010 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 24 May 2010.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 22 April 2010

Grant Thornton
均富

Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of Soundwill Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 128, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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AUDITORS' RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

22 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue/Turnover	5	713,714	338,991
Cost of sales		(343,115)	(72,100)
Gross profit		370,599	266,891
Other income	5	6,865	3,985
Administrative expenses		(79,840)	(76,579)
Other operating expenses		(18,084)	(16,293)
Gain on disposal of subsidiaries	44	657	—
Gain on disposal of associates		234	—
Net gain/(loss) on fair value adjustments on investment properties	16	964,377	(135)
Provision for impairment loss of properties held for development	19	—	(656)
Write-down of properties held for sale to net realisable value	27	—	(1,143)
Gain on disposal of investment properties	16	—	33,601
Gain on disposal of properties held for development	19	18,317	—
Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition	45(d)	—	13,269
Provision for impairment loss of intangible assets	24	—	(6,717)
Profit from operations		1,263,125	216,223
Finance costs	7	(25,424)	(61,419)
Share of profits less losses of:			
— associates		1,299	13
— a jointly-controlled entity		(212)	(31)
Profit before income tax	8	1,238,788	154,786
Income tax (expense)/credit	11	(185,375)	4,656
Profit for the year		1,053,413	159,442
Other comprehensive income	13		
Exchange differences on translation of financial statements of foreign operations		97	5,140
Surplus on revaluation of leasehold building, net of deferred tax		4,045	4,138
Other comprehensive income for the year		4,142	9,278
Total comprehensive income for the year		1,057,555	168,720

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit for the year attributable to:			
Owners of the Company	12	**1,058,583**	162,471
Minority interests		**(5,170)**	(3,029)
		1,053,413	159,442
Total comprehensive income attributable to:			
Owners of the Company		**1,062,725**	171,749
Minority interests		**(5,170)**	(3,029)
		1,057,555	168,720
Earnings per share for profit attributable to owners of the Company during the year	15		
Basic		**HK$4.42**	HK$0.70
Diluted		**HK$4.38**	HK$0.68

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	16	**7,143,620**	6,083,771
Operating lease prepayment	17	**11,509**	11,523
Property, plant and equipment	18	**42,922**	39,655
Properties held for development	19	**52,845**	107,644
Interests in associates	21	**—**	113
Interests in a jointly-controlled entity	22	**43,402**	24,593
Available-for-sale financial assets	23	**10**	11
Intangible assets	24	**6,772**	7,230
Goodwill	25	**—**	—
Deposit for property development		**10,511**	10,461
		7,311,591	6,285,001
Current assets			
Inventories	26	**37,449**	32,708
Properties held for sale	27	**89,102**	279,480
Properties under development	28	**489,207**	278,616
Trade and other receivables	29	**70,760**	70,579
Available-for-sale financial assets	23	**49,666**	19,687
Deposits paid for acquisition of properties		**7,462**	19,046
Amount due from a minority shareholder	30	**—**	5,427
Bank deposit at escrow account	31	**—**	197,452
Cash and cash equivalents	32	**143,811**	131,470
		887,457	1,034,465
Current liabilities			
Trade and other payables	33	**263,790**	292,202
Current portion of borrowings	34	**399,464**	707,441
Provision for income tax		**15,491**	19,152
		678,745	1,018,795
Net current assets		**208,712**	15,670
Total assets less current liabilities		**7,520,303**	6,300,671

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Borrowings	34	1,704,269	1,712,950
Deferred tax liabilities	35	872,267	714,700
		2,576,536	2,427,650
Net assets		4,943,767	3,873,021
EQUITY			
Equity attributable to owners of the Company			
Share capital	36	24,003	23,918
Reserves	37	4,863,176	3,815,631
		4,887,179	3,839,549
Minority interests		56,588	33,472
Total equity		4,943,767	3,873,021

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	20	**554,242**	591,449
Current assets			
Other receivables		**292**	292
Bank balances and cash		**39**	31
		331	323
Current liabilities			
Amounts due to subsidiaries	20	**–**	29,399
Accrued expenses and other payables		**314**	311
		314	29,710
Net current assets/(liabilities)		**17**	(29,387)
Net assets		**554,259**	562,062
EQUITY			
Share capital	36	**24,003**	23,918
Reserves	37	**530,256**	538,144
Total equity		**554,259**	562,062

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit before income tax		1,238,788	154,786
Adjustment for:			
Share of profits less losses of associates		(1,299)	(13)
Share of profits less losses of a jointly-controlled entity		212	31
Bank interest income		(1,012)	(1,575)
Write-back of long outstanding payables		—	(446)
Interest expenses		25,424	61,419
Depreciation of property, plant and equipment		3,312	2,744
Amortisation of operating lease prepayment		14	14
Amortisation of properties held for development		2,303	1,899
Amortisation of intangible assets		515	897
Equity-settled share based payment expenses		2,925	2,175
Provision for obsolete inventories		1,523	4,307
Provision for impairment loss of trade receivables		5,322	4,464
Provision for impairment loss of other receivables		101	1,077
Write-back of provision for impairment loss of amounts due from associates		(2,728)	—
Bad debts written off		9	30
Deposits for property acquisition written off		321	—
Amount due from a minority shareholder written off		5,427	—
Write-back of provision for impairment loss of trade receivables		(32)	(78)
(Gain)/Loss on disposal of property, plant and equipment		(46)	151
Property, plant and equipment written off		64	—
Net (gain)/loss on fair value adjustments on investment properties		(964,377)	135
Provision for impairment loss of intangible assets		—	6,717
Provision for impairment loss of goodwill		—	4,168
Provision for impairment loss of properties held for development		—	656
Write-down of properties held for sale to net realisable value		—	1,143
Provision for loss in litigation		5,032	—
Gain on disposal of investment properties		—	(33,601)
Gain on disposal of properties held for development		(18,317)	—
Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition	45(d)	—	(13,269)
Gain on disposal of subsidiaries		(657)	—
Gain on disposal of associates		(234)	—
Operating profit before working capital changes		302,590	197,831
(Increase)/Decrease in trade and other receivables		(13,885)	3,105
Decrease in deposits paid for acquisition of properties		11,263	47,416
Increase in inventories		(7,692)	(12,545)
Decrease/(Increase) in properties held for sale		181,603	(229,376)
Increase in properties under development		(76,890)	(278,616)
Decrease/(Increase) in bank deposit at escrow account		197,452	(182,284)
(Decrease)/Increase in trade and other payables		(67,642)	204,350
Net cash generated from/(used in) operations		526,799	(250,119)
Interest paid		(32,642)	(65,589)
Income tax paid		(25,198)	(15,920)
Net cash generated from/(used in) operating activities		468,959	(331,628)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Additions to property, plant and equipment		(1,853)	(5,342)
Capital injection from minority shareholders		—	360
Advance to a minority shareholder		—	(5,427)
Dividend paid to a minority shareholder of a subsidiary		—	(278)
Decrease in amounts due from associates		4,371	—
Increase in amount due from a jointly-controlled entity		—	(715)
Proceeds from disposal of associates		3	—
Proceeds from disposal of property, plant and equipment		52	—
Proceeds from disposal of investment properties		—	71,451
Proceeds from disposal of properties held for development		34,026	—
Payment to acquire investment properties		(79,527)	(150,667)
Payment to acquire properties held for development		(6,317)	(19,799)
Deposit for property development		—	(686)
Increase in available-for-sale financial assets		(29,979)	(5,977)
Proceeds from disposal of available-for-sale financial assets		1	—
Net cash outflow from disposal of subsidiaries	44	(137)	—
Net cash outflow from acquisition of subsidiaries	45(c),(d)	—	(21,447)
Purchase of net assets, net of cash acquired	45(a),(b),(e)	(45,749)	(9,645)
Bank interest received		1,012	1,575
Net cash used in investing activities		(124,097)	(146,597)
Cash flows from financing activities			
Repayments of bank loans		(389,358)	(701,522)
Repayments of other loans		(96,272)	(27,899)
Bank loans raised		100,968	1,251,307
Other loans raised		68,004	30,538
Proceeds from exercise of share options		1,454	2,510
Final dividend paid		(16,780)	(15,668)
Net cash (used in)/generated from financing activities		(331,984)	539,266
Increase in cash and cash equivalents		12,878	61,041
Cash and cash equivalents at 1 January		131,470	66,052
Effect of foreign exchange rate changes, net		(537)	4,377
Cash and cash equivalents at 31 December		143,811	131,470

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Equity attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Other equity reserve *HK$'000*	Employee share-based equity reserve *HK$'000*	Retained profits *HK$'000*	Exchange reserve *HK$'000*	Special reserve *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2009	23,918	285,789	24,829	–	14,852	3,457,905	13,661	1,848	16,747	3,839,549	33,472	3,873,021
Exercise of share options	85	1,709	–	–	(340)	–	–	–	–	1,454	–	1,454
Lapse of share options	–	–	–	–	(649)	649	–	–	–	–	–	–
Equity-settled share based payment *(note 38)*	–	–	–	–	2,925	–	–	–	–	2,925	–	2,925
Under-provision for final dividend for 2008	–	–	–	–	–	(33)	–	–	33	–	–	–
Final dividend paid for 2008 *(note 14(b))*	–	–	–	–	–	–	–	–	(16,780)	(16,780)	–	(16,780)
Disposal of subsidiaries *(note 44)*	–	–	–	–	–	–	(2,694)	–	–	(2,694)	(216)	(2,910)
Assets acquisition *(note 45(a), (b))*	–	–	–	–	–	–	–	–	–	–	28,502	28,502
Transactions with owners	85	1,709	–	–	1,936	616	(2,694)	–	(16,747)	(15,095)	28,286	13,191
Proposed final dividend for 2009 *(note 14(a))*	–	–	–	–	–	(24,023)	–	–	24,023	–	–	–
Profit for the year	–	–	–	–	–	1,058,583	–	–	–	1,058,583	(5,170)	1,053,413
Other comprehensive income												
Surplus on revaluation of leasehold building, net of deferred tax *(notes 18, 35)*	–	–	4,045	–	–	–	–	–	–	4,045	–	4,045
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	97	–	–	97	–	97
Total comprehensive income for the year	–	–	4,045	–	–	1,058,583	97	–	–	1,062,725	(5,170)	1,057,555
At 31 December 2009	24,003	287,498	28,874	–	16,788	4,493,081	11,064	1,848	24,023	4,887,179	56,588	4,943,767
At 1 January 2008	22,383	260,409	20,691	94	13,582	3,312,181	8,521	1,848	15,668	3,655,377	22,052	3,677,429
Exercise of share options	120	3,295	–	–	(905)	–	–	–	–	2,510	–	2,510
Equity-settled share based payment *(note 38)*	–	–	–	–	2,175	–	–	–	–	2,175	–	2,175
Conversion of convertible bond	1,415	22,085	–	(94)	–	–	–	–	–	23,406	–	23,406
Final dividend paid for 2007 *(note 14(b))*	–	–	–	–	–	–	–	–	(15,668)	(15,668)	–	(15,668)
Capital injection from minority shareholders	–	–	–	–	–	–	–	–	–	–	360	360
Business acquisition *(note 45(d))*	–	–	–	–	–	–	–	–	–	–	14,367	14,367
Dividend paid to minority shareholder by a subsidiary	–	–	–	–	–	–	–	–	–	–	(278)	(278)
Transactions with owners	1,535	25,380	–	(94)	1,270	–	–	–	(15,668)	12,423	14,449	26,872
Proposed final dividend for 2008 *(note 14(a))*	–	–	–	–	–	(16,747)	–	–	16,747	–	–	–
Profit for the year	–	–	–	–	–	162,471	–	–	–	162,471	(3,029)	159,442
Other comprehensive income												
Surplus on revaluation of leasehold building, net of deferred tax *(notes 18, 35)*	–	–	4,138	–	–	–	–	–	–	4,138	–	4,138
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	5,140	–	–	5,140	–	5,140
Total comprehensive income for the year	–	–	4,138	–	–	162,471	5,140	–	–	171,749	(3,029)	168,720
At 31 December 2008	23,918	285,789	24,829	–	14,852	3,457,905	13,661	1,848	16,747	3,839,549	33,472	3,873,021

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 49 to the financial statements.

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

The financial statements on pages 30 to 128 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 22 April 2010.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment — vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK (IFRIC) — Int 15	Agreements for the construction of real estate

Various — Annual improvements to HKFRSs 2008

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statements of financial position at 1 January 2008 and accordingly this statement is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 Investments in Associates has changed the Group's accounting policies on allocation of impairment losses but did not have any impact of the current period results and financial position. The amendment to HKAS 40 Investment property has resulted in changes to the Group's accounting policies and has affected the current period results and financial position.

(i) Impairment of investments in associates and jointly controlled entities accounted for under the equity method

The amendment clarifies that an investment in associate accounted for under the equity method is a single asset for the purposes of impairment testing. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment losses in a subsequent period is recognised to the extent that the recoverable amount of the associate has increased. The new policy also applies to the Group's investment in the jointly controlled entity, which is accounted for under the equity method in the consolidated financial statements. For the current period, there were no impairment losses recognised and no reversals of impairment losses recognised in prior periods on investments in associates and the jointly controlled entities. The adoption of this new policy has no impact on the current period results and financial position therefore. The new accounting policy has been applied prospectively as permitted by the amendment and comparatives have not been restated.

2. **ADOPADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS** *(Continued)*

Annual improvements to HKFRSs 2008 *(Continued)*

(ii) Investment properties under construction

The adoption of the amendments to HKAS 40 brings property that is being constructed or developed for future use as an investment property within the scope of the standard. Accordingly, the Group's accounting policies to measure investment properties at fair value become applicable to these properties. Investment property under construction will be measured at fair value from the earlier of the date when fair value first becomes reliably measurable and completion of the property. Fair value gain or loss is recognised in profit or loss. Previously HKAS 16 Property, plant and equipment applied to such property until completion. Such property was measured at cost less impairment until completion at which time it was transferred to investment property at fair value with the difference between the fair value and the previous carrying amount recognised in profit or loss. This new accounting policy has been applied prospectively from 1 January 2009. As at 1 January 2009, there was no property under construction for future use as investment property being reclassified from property, plant and equipment to investment property. Comparatives have not been restated.

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

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The Directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

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

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

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

3.2 Basis of consolidation *(Continued)*

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

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

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

3.3 Subsidiaries *(Continued)*

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognised. Where there is a minority interest in the acquired subsidiary, the Group recognises a 100% interest in the underlying net assets and also recognises the minority interest. The minority interest at the date of acquisition is measured at its proportionate share of the cost of the underlying net assets, which is not materially different from the fair value of the minority interest.

3.4 Associates/Jointly-controlled entity

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

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

In consolidated financial statements, investments in associates or jointly-controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates or jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associates or jointly-controlled entity's profit or loss in the period in which the investment is acquired.

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

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

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

Unrealised gains on transactions between the Group and its associates and jointly-controlled entity are eliminated to the extent of the Group's interest in the associates or jointly controlled entity. Where unrealised losses on assets sales between the Group and its associates or jointly controlled entities are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associates or jointly-controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associates or jointly-controlled entity's accounting policies to those of the Group when the associates or jointly-controlled entity's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in associates or jointly-controlled entity equals or exceeds its interest in the associates or jointly-controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or jointly-controlled entity. For this purpose, the Group's interest in the associates or jointly-controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or jointly-controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly-controlled entity. At each reporting date, the Group determines whether there is any objective evidence that the investment in associates or jointly-controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associates or jointly-controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associates or jointly-controlled entity, including cash flows arising from the operations of the associates or jointly-controlled entity and the proceeds on ultimate disposal of the investment.

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

3.5 Foreign currency translation

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

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

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into the HK$ at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

3.6 Revenue recognition

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

Sales of properties is recognised when the sales and purchase agreements have been signed and the related conditions, if any, have been fulfilled.

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

3.6 Revenue recognition *(Continued)*

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

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

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

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

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

3.7 Borrowing costs

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

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of subsidiary. Accounting for goodwill arising on acquisition of associates and jointly controlled entity is set out in note 3.4.

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

3.8 Goodwill *(Continued)*

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less any impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.15).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.9 Intangible assets (other than goodwill)

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

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

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

Intangible assets are test for impairment as described below in note 3.15.

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

3.10 Property, plant and equipment

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

Any revaluation surplus arising upon appraisal of leasehold building is recognised in other comprehensive income and is accumulated in the asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

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

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

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

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

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

3.10 Property, plant and equipment *(Continued)*

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

3.11 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

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

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

Gain or loss resulting from either a change in the fair value or the sale of an investment property is included in profit or loss in the period in which they arise.

3.12 Properties held for development

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

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

3.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and applicable selling expenses.

Urban infrastructure underground pipelines

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Properties under development

The cost of properties under development for sale comprises the acquisition cost of land, development expenditure, other direct expenses and capitalised borrowing costs (see note 3.7).

3.14 Properties held for sale

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

3.15 Impairment of non-financial assets

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

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

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

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

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

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

3.16 Operating lease prepayments

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.17. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.17 Leases

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

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

Assets leased out under operating leases as the lessor

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

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

Operating lease charges as the lessee

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

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

3.18 Financial assets

The Group's financial assets, other than investments in subsidiaries, associates and jointly controlled entity, are classified into the following categories: loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment lossess (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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

3.18 Financial assets *(Continued)*

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

3.18 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

(i) *Financial assets carried at amortised cost*

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

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

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

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

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

(iii) *Financial assets carried at cost*

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

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

3.18 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Financial assets carried at cost (Continued)

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

3.19 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets where the customer is able to specify the major structural elements of the design.

The Group's construction contracts are at fixed prices. The accounting policy for contract revenue is set out in note 3.6.

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the reporting date. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

3.19 Construction contracts *(Continued)*

Construction contracts in progress at the reporting date are recorded in the statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as "Amounts due from customers for contract work" (an asset) or "Amounts due to customers for contract work" (a liability) if any. Progress billings not yet paid by customers are included in the statement of financial position under "Trade receivables".

3.20 Income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

3.20 Income taxes *(Continued)*

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.21 Cash and cash equivalents

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

3.22 Share capital

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

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

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

3.23 Retirement benefit costs and short term employee benefits

Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in employee share-based equity reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

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

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

Share-based employee compensation *(Continued)*

At the time when the share options are exercised, the amount previously recognised in employee share-based equity reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based equity reserve will be transferred to retained profits.

3.24 Financial liabilities

The Group's financial liabilities include bank and other loans, and trade and other payables. They are included in line items in the statement of financial position as "borrowings" under current or non-current liabilities and "trade and other payables" under current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss with the Group's accounting policy for borrowing costs (note 3.7)

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

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

Borrowings

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

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

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

3.24 Financial liabilities *(Continued)*

Trade and other payables

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

3.25 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

3.26 Financial guarantee contract

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

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

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

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

3.27 Related parties

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

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

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

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

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

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

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

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

3.28 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

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

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

3.28 Segment reporting *(Continued)*

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as operating approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment profits under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that gain on disposal of subsidiaries, gain on disposal of associates, finance costs, share of results of associates and jointly controlled entity, write-back of provision for impairment of amounts due from associates, net gain/(loss) on fair value adjustments on investment properties, provision for impairment on properties held for development, write-down of properties held for sale to net realisable value, provision for impairment of intangible assets, gain on disposal of investment properties, gain on disposal of properties held for development and unallocated income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

The revenue of others segment represents the management fee income received from a fellow subsidiary.

Segment assets include property, plant and equipment, operating lease prepayments, inventories, loans and receivables and operating cash and mainly exclude available-for-sale financial assets, interests in associates and jointly controlled entity which are not directly attributable to the business activities of any operating segment which primarily applies to the Group's headquarter.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for income tax, deferred tax liabilities and corporate borrowings.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(i) Estimated fair value of investment properties

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

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

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

(iii) Net realisable value of inventories

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

(iv) Impairment of trade receivables

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

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

(v) Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. There could have transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE/TURNOVER AND OTHER INCOME

The Group's principal activities are disclosed in note 1 to these financial statements. Turnover of the Group is the revenue from these activities. An analysis of the Group's revenue and other income is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue/Turnover represents:		
Sales of properties	**423,000**	85,000
Property rental income	**186,196**	163,470
Revenue from urban infrastructure construction works	**65,669**	47,406
Building management service income	**6,647**	5,599
Property repairs and maintenance service income	**9,756**	9,833
Construction income	**—**	1,416
Signage rental	**18,284**	20,366
Office facilities and service income	**4,162**	5,901
	713,714	338,991
Other income:		
Bank interest income	**1,012**	1,575
Write-back of long outstanding payables	**—**	446
Write-back of provision for impairment loss of trade receivables *(note 29)*	**32**	78
Write-back of provision for impairment loss of amounts due from associates	**2,728**	—
Gain on disposal of property, plant and equipment	**46**	—
Exchange gain	**271**	—
Miscellaneous income	**2,776**	1,886
	6,865	3,985
Total revenue and other income	**720,579**	342,976

6. SEGMENT INFORMATION

The executive directors have identified the Group's five business lines as operating segments as further described in note 3.28.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Property assembly business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Revenue														
External customers	**423,000**	85,000	**–**	501	**208,642**	189,236	**16,403**	15,432	**65,669**	47,406	**–**	1,416	**713,714**	338,991
Inter-segments	**76,397**	6,000	**34,901**	–	**7,821**	8,982	**983**	1,532	**4,174**	–	**900**	979	**125,176**	17,493
Reportable segment revenue	**499,397**	91,000	**34,901**	501	**216,463**	198,218	**17,386**	16,964	**69,843**	47,406	**900**	2,395	**838,890**	356,484
Reportable segment profit/(loss)	**125,457**	29,412	**(4,751)**	6,644	**158,276**	176,699	**7,997**	7,261	**(8,053)**	(5,260)	**2,329**	(3,855)	**281,255**	210,901
Bank interest income	**51**	1,017	**24**	14	**75**	263	**–**	3	**861**	277	**1**	1	**1,012**	1,575
Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition	**–**	–	**–**	13,269	**–**	–	**–**	–	**–**	–	**–**	–	**–**	13,269
Depreciation	**–**	–	**(187)**	(105)	**(2,433)**	(1,626)	**(4)**	(3)	**(177)**	(434)	**(511)**	(576)	**(3,312)**	(2,744)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**(515)**	(897)	**–**	–	**(515)**	(897)
Amortisation of properties held for development	**–**	–	**(2,303)**	(1,899)	**–**	–	**–**	–	**–**	–	**–**	–	**(2,303)**	(1,899)
Provision for impairment loss of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(4,168)	**–**	(4,168)
Provision for obsolete inventories	**–**	–	**–**	–	**–**	–	**–**	–	**(1,523)**	(4,307)	**–**	–	**(1,523)**	(4,307)
Amount due from a minority shareholder written off	**–**	–	**(5,427)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5,427)**	–
Provision for loss on litigation	**–**	–	**–**	–	**–**	–	**–**	–	**(5,032)**	–	**–**	–	**(5,032)**	–
Reportable segment assets	**81,948**	480,486	**604,031**	362,169	**7,226,545**	6,210,876	**6,869**	6,450	**174,849**	207,009	**11,728**	8,072	**8,105,970**	7,275,062
Additions to non-current segment assets during the year	**–**	–	**6,349**	60,026	**81,038**	153,521	**–**	29	**212**	87	**98**	1,793	**87,697**	215,456
Reportable segment liabilities	**(29,603)**	(197,552)	**(104,350)**	(2,978)	**(62,993)**	(60,033)	**(13,261)**	(11,715)	**(49,175)**	(16,350)	**(4,408)**	(3,574)	**(263,790)**	(292,202)

6. **SEGMENT INFORMATION** *(Continued)*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2009 HK$'000	2008 HK$'000
Reportable segment revenue	838,890	356,484
Elimination of intersegments revenue	(125,176)	(17,493)
Revenue	713,714	338,991
Reportable segment profits	281,255	210,901
Net gain/(loss) on fair value adjustments on investment properties	964,377	(135)
Provision for impairment loss on properties held for development	—	(656)
Write-down of properties held for sale to net realisable value	—	(1,143)
Provision for impairment loss of intangible assets	—	(6,717)
Gain on disposal of investment properties	—	33,601
Gain on disposal of properties held for development	18,317	—
Unallocated income and expenses	(4,443)	(19,628)
Gain on disposal of subsidiaries	657	—
Gain on disposal of associates	234	—
Finance costs	(25,424)	(61,419)
Share of profits less losses of associates	1,299	13
Share of profits less losses of a jointly-controlled entity	(212)	(31)
Write-back of provision for impairment loss of amounts due from associates	2,728	—
Profit before income tax	1,238,788	154,786
Reportable segment assets	8,105,970	7,275,062
Interest in associates	—	113
Interest in a jointly-controlled entity	43,402	24,593
Available-for-sale financial assets	49,676	19,698
Group assets	8,199,048	7,319,466
Reportable segment liabilities	263,790	292,202
Borrowings	2,103,733	2,420,391
Provision for income tax	15,491	19,152
Deferred tax liabilities	872,267	714,700
Group liabilities	3,255,281	3,446,445

6. SEGMENT INFORMATION *(Continued)*

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
Hong Kong (domicile)	**648,045**	291,585	**7,275,879**	6,194,098
PRC	**65,669**	47,406	**35,702**	90,892
	713,714	338,991	**7,311,581**	6,284,990

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the asset.

For the years ended 31 December 2008 and 2009, the Group did not depend on any single customers under each of the segments.

7. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest charges on:		
Bank loans		
— wholly repayable within five years	**27,474**	56,880
— not wholly repayable within five years	**5,978**	8,349
Other borrowings wholly repayable within five years	**232**	42
Convertible bond	**—**	318
Total borrowing costs	**33,684**	65,589
Less: Interest capitalised in investment properties and properties under development *(notes 16 and 28)**	**(8,260)**	(4,170)
	25,424	61,419

* The borrowing costs have been capitalised at rates ranging from 1.55% to 2.15% (2008: 2.05% to 5.69%) per annum.

8. PROFIT BEFORE INCOME TAX

	2009 HK$'000	2008 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets*	515	897
Auditors' remuneration	1,699	1,677
Amortisation:		
— operating lease prepayment	14	14
— properties held for development	2,303	1,899
Depreciation	3,312	2,744
Cost of inventories recognised as expense	49,570	25,783
Cost of properties held for sale recognised as expense	270,732	36,940
Operating lease charges in respect of premises	2,696	2,380
Provision for obsolete inventories*	1,523	4,307
Provision for impairment loss of trade receivables*	5,322	4,464
Provision for impairment loss of other receivables*	101	1,077
Provision for impairment loss of goodwill *(note 25)**	—	4,168
Provision for loss in litigation *(note 33)**	5,032	—
Amount due from a minority shareholder written off*	5,427	—
Bad debts written off*	9	30
Deposits for property acquisition written off*	321	1,416
(Gain)/Loss on disposal of property, plant and equipment	(46)	151
Property, plant and equipment written off	64	—
Staff costs *(note 10)*	40,152	37,517
Gross rental income from investment properties	(186,196)	(163,470)
Less: Outgoings	3,913	4,000
	(182,283)	(159,470)
Other rental income less outgoings from other properties	(4,029)	(5,979)
	(186,312)	(165,449)

* included in other operating expenses

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2009					
Executive directors					
Ms. Foo Kam Chu, Grace	–	2,585	12	305	2,902
Ms. Chan Wai Ling	–	1,866	12	1,017	2,895
Mr. Tse Chun Kong, Thomas	–	1,713	12	46	1,771
Mr. Kwan Chai Ming***	–	611	5	41	657
Mr. Kong Siu Man Kenny#	–	340	2	29	371
Non-executive directors					
Mr. Liang Yanfeng	–	–	–	24	24
Mr. Meng Qinghui	–	–	–	24	24
Independent non-executive directors					
Mr. Kwan Kai Cheong	70	–	–	–	70
Ms. Ho Suk Yin##	66	–	–	–	66
Mr. Chan Kai Nang###	45	–	–	–	45
Mr. Pao Ping Wing#	–	–	–	–	–
	181	7,115	43	1,486	8,825
Year ended 31 December 2008					
Executive directors					
Ms. Foo Kam Chu, Grace	–	2,585	12	220	2,817
Ms. Chan Wai Ling	–	1,378	12	732	2,122
Mr. Tse Chun Kong, Thomas	–	1,649	12	33	1,694
Mr. Kwan Chai Ming	–	980	12	55	1,047
Non-executive directors					
Mr. Liang Yanfeng	–	–	–	33	33
Mr. Meng Qinghui	–	–	–	33	33
Independent non-executive directors					
Mr. Heng Kwoo Seng*	52	–	–	–	52
Mr. Tsim Tak Po**	–	–	–	–	–
Mr. Kwan Kai Cheong	70	–	–	–	70
Ms. Ho Suk Yin	60	–	–	–	60
	182	6,592	48	1,106	7,928

* retired on 23 May 2008
** appointed on 15 August 2008 and resigned on 16 December 2008
*** resigned on 1 June 2009
# appointed on 6 November 2009
resigned on 6 November 2009
appointed on 11 March 2009

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

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

(a) Directors' emoluments *(Continued)*

The value of share options granted to directors is measured according to the Group's accounting policy for share-based compensation set out in note 3.23. The details of these benefits in kind including the principal terms and number of options granted are disclosed in note 38.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2008: three) directors of the Company, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2008: two) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries and other benefits	2,340	2,080
Pension costs — defined contribution plan	24	24
Equity-settled share based payment	1,221	857
	3,585	2,961

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
HK$1,000,000 — HK$1,500,000	1	1
HK$1,500,001 — HK$2,000,000	—	1
HK$2,000,001 — HK$2,500,000	1	—

No emoluments were paid by the Group to the directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during each of the two years ended 31 December 2009 and 2008.

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	*HK$'000*
Salaries and wages (including directors' remuneration)	35,231	33,157
Equity-settled share based payment	2,925	2,175
Pension costs — defined contribution plans	1,486	1,501
Staff welfare	510	684
	40,152	37,517

11. INCOME TAX EXPENSE/(CREDIT)

	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax		
Tax for the year	30,281	23,567
(Over)/Under provision in prior years	(3,579)	67
	26,702	23,634
PRC tax		
Tax for the year	1,965	1,321
	28,667	24,955
Deferred tax *(note 35)*		
Current year	156,708	9,782
Attributable to reduction in tax rate	—	(39,393)
	156,708	(29,611)
	185,375	(4,656)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit arising in Hong Kong for the year. The Group's certain subsidiaries established and operating in the PRC are exempt from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years ("Tax Holiday"). Remaining subsidiaries operating in the PRC are subject to PRC enterprise income tax rate of 25%.

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

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

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

	2009 *HK$'000*	2008 *HK$'000*
Profit before income tax	**1,238,788**	154,786
Tax at the applicable tax rates	**185,981**	27,514
Tax effect of non-deductible expenses	**13,111**	6,462
Tax effect of non-taxable income	**(8,282)**	(8,824)
Tax effect of temporary differences not recognised	**772**	831
Tax effect of tax losses not recognised	**5,290**	11,089
Utilisation of previously unrecognised tax losses	**(7,918)**	(2,515)
Effect of opening deferred tax balances resulting from a reduction in tax rate during the year *(note 35)*	**–**	(39,393)
(Over)/Under provision in prior years	**(3,579)**	67
Others	**–**	113
Income tax expense/(credit)	**185,375**	(4,656)

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$1,058,583,000 (2008: HK$162,471,000), a profit of HK$4,598,000 (2008: HK$4,292,000) has been dealt with in the financial statements of the Company.

13. OTHER COMPREHENSIVE INCOME

The amount of tax relating to each component of other comprehensive income can be summarised as follows:

	2009			2008		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of foreign operations	97	–	97	5,140	–	5,140
Surplus on revaluation of leasehold building *(note 18)*	4,844	(799)	4,045	4,956	(818)	4,138
Other comprehensive income	4,941	(799)	4,142	10,096	(818)	9,278

The amount of reclassification adjustments relating to each component of other comprehensive income can be summarised as follows:

	2009	2008
	HK$'000	*HK$'000*
Exchange differences on translation of financial statements of foreign operations recognised in other comprehensive income	97	5,140
Amount recognised to profit or loss on disposal of foreign subsidiary	(2,694)	–
Net (decrease)/increase in exchange reserve	(2,597)	5,140

14. DIVIDENDS

(a) Dividend attributable to the year

	2009 HK$'000	2008 HK$'000
Proposed final dividend of HK$0.1 (2008: HK$0.07) per share	24,023	16,747

Final dividend of HK$0.1 (2008: HK$0.07) per share for the year to shareholders whose names appear on the register of members on 1 June 2010 (the "Record Date") was proposed by the directors on 22 April 2010.

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

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

	2009 HK$'000	2008 HK$'000
Final dividend in respect of the previous financial year, of HK$0.07 per share (2008: HK$0.07 per share)	16,780	15,668

15. EARNINGS PER SHARE

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

Earnings

	Group	
	2009	2008
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**1,058,583**	162,471
Effect of reduction of interest payable arising from convertible bond	**—**	318
Profit used to determine diluted earnings per share	**1,058,583**	162,789

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**239,687,257**	232,744,782
Effect of dilutive potential ordinary shares in respect of:		
— Share options	**1,955,144**	366,445
— Convertible bond	**—**	5,972,803
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**241,642,401**	239,084,030

16. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

Group

	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	**6,083,771**	5,380,282
Additions	**79,527**	150,667
Disposals	**—**	(37,850)
Net transfer from properties held for sale *(note 27)*	**8,775**	586,637
Net gain/(loss) on fair value adjustments	**964,377**	(135)
Interest capitalised in investment properties under construction *(note 7)*	**7,170**	4,170
Carrying amount at 31 December	**7,143,620**	6,083,771

16. INVESTMENT PROPERTIES *(Continued)*

For the year ended 31 December 2008, certain subsidiaries of the Company disposed of their investment properties with aggregate carrying value of HK$37,850,000 at a consideration of HK$72,000,000 in aggregate, resulting in a net gain of HK$33,601,000 after taking into account of selling and directly attributable expenses.

The Group's investment properties were revalued at 31 December 2009 by an independent, professionally qualified valuer, B. I. Appraisals Limited, on the following basis:

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

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

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

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

	2009	2008
	HK$'000	*HK$'000*
Held on lease over 50 years	**7,110,790**	6,063,091
Held on lease from 10 to 50 years	**32,830**	20,680
	7,143,620	6,083,771

As at 31 December 2009, certain investment properties of the Group with total carrying amount of HK$6,898,290,000 (2008: HK$5,970,030,000) were pledged to secure certain bank loans of HK$1,895,733,000 (2008: HK$2,030,797,000) (note 34).

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

17. OPERATING LEASE PREPAYMENT

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

Group

	2009 HK$'000	2008 HK$'000
Carrying amount at 1 January	**11,523**	11,537
Amortisation of operating lease prepayment	**(14)**	(14)
Carrying amount at 31 December	**11,509**	11,523

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

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008					
Cost/Valuation	27,800	11,109	5,717	1,727	46,353
Accumulated depreciation	–	(9,346)	(4,113)	(1,089)	(14,548)
Net carrying amount	27,800	1,763	1,604	638	31,805
Year ended 31 December 2008					
Opening net carrying amount	27,800	1,763	1,604	638	31,805
Acquisition of subsidiaries/Purchase of net assets *(notes 45(c), (d), (e))*	–	–	264	131	395
Additions	–	2,711	1,252	1,379	5,342
Surplus on revaluation	4,956	–	–	–	4,956
Disposals	–	(73)	(63)	(15)	(151)
Depreciation	(556)	(1,038)	(754)	(396)	(2,744)
Translation difference	–	–	25	27	52
Closing net carrying amount	32,200	3,363	2,328	1,764	39,655
At 31 December 2008					
Cost/Valuation	32,200	13,648	6,758	3,198	55,804
Accumulated depreciation	–	(10,285)	(4,430)	(1,434)	(16,149)
Net carrying amount	32,200	3,363	2,328	1,764	39,655
Analysis of cost/valuation					
At cost	–	3,363	2,328	1,764	7,455
At professional valuation	32,200	–	–	–	32,200
	32,200	3,363	2,328	1,764	39,655

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2009					
Opening net carrying amount	32,200	3,363	2,328	1,764	39,655
Additions	–	1,421	232	200	1,853
Surplus on revaluation	4,844	–	–	–	4,844
Disposals	–	–	(6)	–	(6)
Disposals of subsidiaries	–	–	–	(55)	(55)
Write-off	–	(38)	(15)	(11)	(64)
Depreciation	(644)	(1,673)	(574)	(421)	(3,312)
Translation difference	–	–	5	2	7
Closing net carrying amount	36,400	3,073	1,970	1,479	42,922
At 31 December 2009					
Cost/Valuation	36,400	13,075	5,367	2,899	57,741
Accumulated depreciation	–	(10,002)	(3,397)	(1,420)	(14,819)
Net carrying amount	36,400	3,073	1,970	1,479	42,922
Analysis of cost/valuation					
At cost	–	3,073	1,970	1,479	6,522
At professional valuation	36,400	–	–	–	36,400
	36,400	3,073	1,970	1,479	42,922

At the reporting date, the Group's leasehold building held on leases over 50 years in Hong Kong is stated at valuation of HK$36,400,000 (2008: HK$32,200,000).

As at 31 December 2009, the Group's leasehold building was valued by B. I. Appraisals Limited on an open market value basis by reference to the price information of comparable properties. A revaluation surplus of approximately HK$4,844,000 (2008: HK$4,956,000) had been credited to asset revaluation reserve.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2009, leasehold building of the Group with carrying amount of HK$36,400,000 (2008: HK$32,200,000) was pledged to secure certain bank loans of the Group (note 34).

Had the leasehold building been carried at historical cost less accumulated depreciation, its carrying value at 31 December 2009 would have been approximately HK$5,914,000 (2008: approximately HK$6,074,000).

19. PROPERTIES HELD FOR DEVELOPMENT

Group

	2009 HK$'000	2008 HK$'000
Year ended 31 December		
Opening net carrying amount	107,644	51,147
Acquisition of a subsidiary *(note 45(d))*	—	39,253
Additions	6,317	19,799
Disposals	(15,709)	—
Amortisation	(2,303)	(1,899)
Provision for impairment loss	—	(656)
Net transfer to properties under development *(note 28)*	(43,558)	—
Translation difference	454	—
Closing net carrying amount	52,845	107,644
As at 31 December		
Cost	61,052	115,514
Accumulated amortisation	(8,207)	(7,870)
Net carrying amount	52,845	107,644
Analysis of lease terms:		
— In Hong Kong held on leases between 10 to 50 years	36,238	36,076
— In the PRC held on leases between 10 to 50 years	16,607	71,568
Net carrying amount	52,845	107,644

During the year, a subsidiary of the Company disposed of certain properties held for development with carrying amount of HK$15,709,000 at a consideration of HK$34,026,000, resulting in a gain of HK$18,317,000.

20. INTERESTS IN SUBSIDIARIES

Company

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**2,318,856**	2,318,856
Less: Provision for impairment loss	**(1,773,856)**	(1,773,856)
	545,000	545,000
Amounts due from subsidiaries	**1,486,929**	1,524,136
Less: Provision for impairment loss	**(1,477,687)**	(1,477,687)
	9,242	46,449
	554,242	591,449

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

As at 31 December 2008, amounts due to subsidiaries were unsecured, interest free and repayable on demand.

Details of principal subsidiaries are set out in note 49 to the financial statements.

21. INTERESTS IN ASSOCIATES

Group

	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	3	3
Share of post-acquisition results	1,409	110
	1,412	113
Less: Disposals	(1,412)	–
	–	113
Amounts due from associates	–	2,728
Less: Provision for impairment loss	–	(2,728)
	–	–
	–	113

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

	2009	2008
	HK$'000	HK$'000
Assets	–	10,075
Liabilities	–	(9,699)
Revenue	–	43
Result/Profit for the year	–	42

22. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

Group

	2009 HK$'000	2008 HK$'000
Unlisted share, at cost	1	1
Share of post-acquisition results	(293)	(81)
	(292)	(80)
Amount due from a jointly-controlled entity	43,694	24,673
	43,402	24,593

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

In September 2009, a subsidiary of the Company (the "Subsidiary") as a plaintiff commenced a legal proceeding (HCA1902/2009) against a joint venture partner (the "JV Partner"), with whom the Subsidiary entered into a joint venture agreement (the "JV Agreement") for the development and construction of village houses on a number of pieces of land in New Territories (the "Lands") since 2005, and a number of individuals seeking, inter alia, declaratory relief for its proprietary interests in the Lands and injunctive relief against the said individuals, in response to the allegations and claims of the JV Partner to oust the Subsidiary from the joint development on the alleged ground that the Subsidiary was in breach of the terms of the JV Agreement. Thereafter, two further sets of legal proceedings were also instituted between the Subsidiary and the parties related (HCMP1760/2009 and HCA1931/2009).

Pleadings have been exchanged and the Subsidiary has pleaded its claims against the parties concerned, and in the subject land development. It is rather difficult at this stage to opine on the outcome of the above legal proceedings as they are still at the very preliminary stage and the documents disclosed by the parties are limited. According to the legal advice, it is beyond controversy that the Subsidiary did spend substantial amount of expenses for construction and improvement of the subject land development, to the knowledge of the relevant individuals claiming to be the owners of the pieces of land. As such, it would be difficult to argue that the Subsidiary had no proprietary interests in the subject land development. The management is therefore of the opinion that it is premature to consider making any provision for impairment against the outstanding balance as at the reporting date.

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

Group *(Continued)*

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

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

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

	2009 HK$'000	2008 HK$'000
Share of assets and liabilities attributable to the Group		
Current assets	21,554	12,255
Current liabilities	(21,847)	(12,336)
Net liabilities	(293)	(81)
Share of results attributable to the Group		
Revenue	–	–
Administrative expenses	(212)	(31)
Loss for the year	(212)	(31)

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2009	2008
	HK$'000	*HK$'000*
Unlisted investment, at cost	**56,326**	26,347
Less: Provision for impairment loss	**(6,650)**	(6,650)
	49,676	19,697
Listed equity securities, at fair value — listed in Hong Kong	**—**	1
	49,676	19,698
Less: Available-for-sale financial assets under current assets	**(49,666)**	(19,687)
Available-for-sale financial assets under non-current assets	**10**	11
Market value of listed investments	**—**	1

Unlisted investment represents 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong and a 38.25% interest in a PRC investment project.

The unlisted investment is classified as available-for-sale financial assets because in the opinion of the Directors, the Group has no significant influence over the financial and operating decisions of the investee companies.

The unlisted investment with a carrying amount of HK$49,676,000 (2008: HK$19,697,000) are measured at cost less impairment losses as they do not have quoted market prices in active markets. The Group plans to hold an investment amounting to HK$10,000 (2008: HK$10,000) continuously.

24. INTANGIBLE ASSETS

Group

	Urban infrastructure development rights HK$'000
At 1 January 2008	
Cost	16,567
Accumulated amortisation	(2,484)
Net carrying amount	**14,083**
Year ended 31 December 2008	
Opening net carrying amount	14,083
Amortisation charge	(897)
Provision for impairment loss	(6,717)
Translation difference	761
Closing net carrying amount	**7,230**
At 31 December 2008	
Cost	17,542
Accumulated amortisation and impairment loss	(10,312)
Net carrying amount	**7,230**
Year ended 31 December 2009	
Opening net carrying amount	**7,230**
Amortisation charge	**(515)**
Translation difference	**57**
Closing net carrying amount	**6,772**
At 31 December 2009	
Cost	**17,686**
Accumulated amortisation and impairment loss	**(10,914)**
Net carrying amount	**6,772**

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

25. GOODWILL

Group

	2009 HK$'000	2008 HK$'000
Gross amount		
At 1 January	7,882	3,714
Acquisition of a subsidiary *(note 45(c))*	–	4,168
At 31 December	7,882	7,882
Accumulated impairment loss		
At 1 January	(7,882)	(3,714)
Impairment loss	–	(4,168)
At 31 December	(7,882)	(7,882)
Net carrying amount		
Gross amount	7,882	7,882
Accumulated impairment loss	(7,882)	(7,882)
At 31 December	–	–

For the year ended 31 December 2008, the impairment loss of goodwill of HK$4,168,000 is included under other operating expenses in profit or loss and attributable to the Group's building management and other services segment. The main factor contributing to the impairment of the cash-generating unit was due to the underperformance of the building management services. The recoverable amount for the cash-generating unit in relation to the subsidiary of the Company was determined based on value-in-use calculations, covering a 5-year budget plan. In respect of the key assumptions used for value-in-use calculations, the management expects there is no material long-term average growth for the cash-generating unit and the discounted rate used is 3.3% per annum. The Company management's key assumptions have been determined based on the past performance and their expectation for the market development. The discounted rate used is pre-tax and reflects specific risks relating to the relevant cash-generating unit. Apart from the consideration described above in determining the value-in-use of the cash-generating unit, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

26. INVENTORIES

Group

	2009	2008
	HK$'000	*HK$'000*
Raw materials	580	414
Work in progress	11,903	15,095
Finished goods	43,319	34,029
	55,802	49,538
Less: Provision for obsolete inventories	(18,353)	(16,830)
	37,449	32,708

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

27. PROPERTIES HELD FOR SALE

	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	279,480	637,884
Additions	89,129	265,304
Transfer to investment properties *(note 16)*	(8,775)	(586,637)
Disposals	(270,732)	(35,928)
	89,102	280,623
Less: Write-down to net realisable value	—	(1,143)
Carrying amount at 31 December	89,102	279,480
Properties held for sale stated		
— at cost	89,102	271,950
— at net realisable value	—	7,530
	89,102	279,480

27. PROPERTIES HELD FOR SALE *(Continued)*

During the year, a subsidiary of the Company disposed certain properties with carrying amount of HK$270,732,000 (2008: HK$35,928,000) at a consideration of HK$423,000,000 (2008: HK$85,000,000), resulting in a gain of HK$136,577,000 (2008: HK$42,952,000) after taking into account of selling and directly attributable expense of HK$15,691,000 (2008: HK$6,120,000).

On 17 September 2009, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to dispose of certain of its properties held for sale. The properties were acquired by the Group at a cost of HK$89,102,000 and disposed of at a consideration of HK$98,250,000. As at the reporting date, the Group received deposits and part payments in aggregate of HK$29,475,000 (note 33). The transaction was completed subsequent to reporting date on 13 January 2010.

As at 31 December 2009, none of the Group's properties held for sale (2008: HK$269,876,000) were pledged to secure the Group's bank loans (2008: HK$160,000,000) (note 34).

28. PROPERTIES UNDER DEVELOPMENT

	2009 HK$'000	2008 HK$'000
Carrying amount at 1 January	278,616	—
Acquisition of subsidiaries *(notes 45(a), (b))*	88,927	—
Additions	76,890	278,616
Net transfer from properties held for development *(note 19)*	43,558	—
Interest capitalised in properties under construction *(note 7)*	1,090	—
Translation difference	126	—
Carrying amount at 31 December	489,207	278,616
Properties under development stated		
— at cost	489,207	278,616

As at 31 December 2009, the Group's properties under development with aggregate carrying value of HK$356,596,000 (2008: HK$278,616,000) were pledged to secure certain bank loans of HK$208,000,000 (2008: HK$201,326,000) (note 34).

29. TRADE AND OTHER RECEIVABLES

Group

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**71,945**	69,694
Less: Provision for impairment loss	**(12,485)**	(6,621)
Trade receivables, net	**59,460**	63,073
Other receivable, utility deposit and prepayment	**12,478**	8,583
Less: Provision for impairment loss	**(1,178)**	(1,077)
Other receivable, utility deposit and prepayment, net	**11,300**	7,506
	70,760	70,579

The credit terms of the Group's trade receivables range from 30 to 90 days. At 31 December 2009, the ageing analysis of the trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 — 30 days	**35,974**	36,057
31 — 90 days	**3,702**	6,834
91 — 180 days	**1,579**	5,575
Over 180 days	**18,205**	14,607
Total trade receivables	**59,460**	63,073

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

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

	2009 *HK$'000*	2008 *HK$'000*
At the beginning of year	6,621	2,235
Less: Write-back of overprovision for doubtful debts *(note 5)*	(32)	(78)
Add: Provision for impairment loss	5,322	4,464
Exchange difference	574	–
At the end of year	12,485	6,621

At 31 December 2009, included in the allowance for doubtful debts are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than one year and management assessed that none of these balances are expected to be recovered. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers.

Trade receivables that are not impaired are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Neither past due nor impaired	42,605	42,891
Less than 90 days past due	8,059	5,575
Past due more than 90 days but less than 1 year	8,110	10,117
Past due more than 1 year but less than 2 years	686	4,490
At 31 December	59,460	63,073

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

Trade 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 receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because have short maturity periods on their inception.

30. AMOUNT DUE FROM A MINORITY SHAREHOLDER

As at 31 December 2008, the amount due was unsecured, interest free and repayable on demand.

31. BANK DEPOSIT AT ESCROW ACCOUNT

As at 31 December 2008, part of the consideration arising from disposal of properties held for sale situated at Nos. 1-11 Jones Street and Nos. 3-11 Warren Street, Hong Kong (note 27) was deposited in an escrow account pending for the fulfillment of certain conditions of the transaction. The effective interest rate of this bank deposit ranged from 0.55% to 2.55% per annum for the year ended 31 December 2008. The bank balance at escrow account was subsequently released upon satisfaction of the conditions on 27 February 2009.

32. CASH AND CASH EQUIVALENTS

Group

	2009	2008
	HK$'000	*HK$'000*
Bank and cash balances	109,313	82,170
Short-term bank deposits	34,498	49,300
	143,811	131,470

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits were made for the periods for 3 months (2008: 8 to 15 days) depending on the immediate cash requirement of the Group, and earned fixed-rate interest at respective short-term deposit rates ranging from 1.35% to 1.98% (2008: 0.12% to 3%) per annum.

The directors of the Group considered that the fair value of the cash and cash equivalents is not materially different from their carrying amount because of the short maturity period on their inception.

Included in bank and cash balances of the Group is HK$85,575,000 (2008: HK$68,256,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

33. TRADE AND OTHER PAYABLES

Group

	2009	2008
	HK$'000	HK$'000
Trade payables	47,916	21,410
Receipt in advance	6,777	7,085
Rental and other deposits received	60,174	54,968
Deposits and part payments associated with disposal of properties held for sale	29,475	196,709
Accrued expenses and other payables	114,416	12,030
Provision for loss in litigation *(note)*	5,032	—
	263,790	292,202

Note:

During the year, a PRC subsidiary of the Company had a litigation with its former employees. The former employees instituted an action against the PRC subsidiary claiming approximately HK$5,032,000 for unpaid salary and bonus. The litigation was still in progress as at 31 December 2009. The Directors are of the opinion that it is probable that the Group will lose in the litigation and therefore full provision for loss in the litigation was made accordingly (note 8).

The Group was granted by its suppliers' credit periods from 30 to 60 days. As at 31 December 2009, the ageing analysis of the trade payables was as follows:

	2009	2008
	HK$'000	HK$'000
0 — 30 days	30,847	8,804
31 — 90 days	3,232	2,785
Over 90 days	13,837	9,821
Total trade payables	47,916	21,410

34. BORROWINGS

Group

	2009 HK$'000	2008 HK$'000
Non-current		
Bank loans — secured	1,704,269	1,712,950
Current		
Bank loans — secured	399,464	679,173
Other loans	—	28,268
	399,464	707,441
Total borrowings	2,103,733	2,420,391

As at 31 December 2009, the Group's borrowings were repayable as follows:

	2009		2008	
	Bank loans-secured HK$'000	Other loans HK$'000	Bank loans-secured HK$'000	Other loans HK$'000
On demand or within one year	399,464	—	679,173	28,268
Within a period of more than one year but not exceeding two years	238,957	—	1,062,000	—
Within a period of more than two years but not exceeding five years	1,317,512	—	502,250	—
Due after five years	147,800	—	148,700	—
Total	2,103,733	—	2,392,123	28,268

Bank loans are secured by certain investment properties, property, plant and equipment and properties under development of the Group as set out in notes 16, 18 and 28 respectively to the financial statements.

For the year ended 31 December 2008, other loans represented unsecured revolving credit facility granted by a related company (note 43(d)). The amount was fully repaid during the year ended 31 December 2009.

34. BORROWINGS *(Continued)*

Group *(Continued)*

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

	2009	2008
	'000	*'000*
United States Dollar	—	5,200

The fair values of the borrowings as at 31 December 2009 approximate to their carrying amounts.

The analysis that shows the remaining contractual maturities of the Group's borrowings is set out in note 46.1(d) to these financial statements.

The effective interest rates at the reporting date were as follows:

	2009	2008
Bank loans	HIBOR+1% p.a. to HIBOR+1.5% p.a.	HIBOR+1% p.a. to HIBOR+1.75% p.a.

35. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

Group

	2009	2008
	HK$'000	*HK$'000*
At 1 January	714,700	736,220
Business acquisitions *(notes 45 (c), (d))*	—	7,273
Deferred taxation (credited)/charged to:		
— Arising from decrease in tax rate *(note 11)*	—	(39,393)
— Profit or loss *(note 11)*	156,708	9,782
— Asset revaluation reserve	799	818
Translation difference	60	—
At 31 December	872,267	714,700

35. DEFERRED TAX LIABILITIES *(Continued)*

The following are the major deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the current and prior years:

	Accelerated tax depreciation		Fair value gains		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**34,011**	31,729	**680,689**	704,491	**714,700**	736,220
Business acquisitions	**–**	14	**–**	7,259	**–**	7,273
Charged/(Credited) to:						
— Arising from decrease in tax rate credited to profit or loss	**–**	(1,669)	**–**	(37,724)	**–**	(39,393)
— Profit or loss	**1,008**	3,119	**155,700**	6,663	**156,708**	9,782
— Asset revaluation reserve	**–**	–	**799**	818	**799**	818
Translation difference	**–**	–	**60**	–	**60**	–
At 31 December	**35,019**	33,193	**837,248**	681,507	**872,267**	714,700

As at 31 December 2009, the amount of unrecognised deferred tax assets is mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$18,231,000 (2008: HK$20,859,000). The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

Company

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences.

36. SHARE CAPITAL

	2009 Number of shares	2009 HK$'000	2008 Number of shares	2008 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	**239,184,135**	**23,918**	223,827,816	22,383
Exercise of share options	**850,000**	**85**	1,200,000	120
Conversion of convertible bond	**–**	**–**	14,156,319	1,415
At 31 December	**240,034,135**	**24,003**	239,184,135	23,918

37. RESERVES

Group

	2009 HK$'000	2008 HK$'000
Share premium *(note (a))*	**287,498**	285,789
Asset revaluation reserve	**28,874**	24,829
Employee share-based equity reserve	**16,788**	14,852
Retained profits	**4,493,081**	3,457,905
Exchange reserve	**11,064**	13,661
Special reserve *(note (b))*	**1,848**	1,848
Proposed final dividend *(note 14(a))*	**24,023**	16,747
	4,863,176	3,815,631

Notes:

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

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

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on page 37 to the financial statements.

37. RESERVES *(Continued)*

Company

	Share premium HK$'000 (note (a))	Contributed surplus HK$'000 (note (b))	Other equity reserve HK$'000	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2008	260,409	2,186,027	94	13,582	(1,952,816)	15,668	522,964
Exercise of share options	3,295	–	–	(905)	–	–	2,390
Equity-settled share based payment *(note 38)*	–	–	–	2,175	–	–	2,175
Profit for the year	–	–	–	–	4,292	–	4,292
Conversion of convertible bond	22,085	–	(94)	–	–	–	21,991
Final dividend paid for 2007 *(note 14(b))*	–	–	–	–	–	(15,668)	(15,668)
Proposed final dividend for 2008 *(note 14(a))*	–	(16,747)	–	–	–	16,747	–
At 31 December 2008 and 1 January 2009	285,789	2,169,280	–	14,852	(1,948,524)	16,747	538,144
Exercise of share options	1,709	–	–	(340)	–	–	1,369
Lapse of share options	–	–	–	(649)	649	–	–
Equity-settled share based payment *(note 38)*	–	–	–	2,925	–	–	2,925
Profit for the year	–	–	–	–	4,598	–	4,598
Under-provision for final dividend for 2008	–	(33)	–	–	–	33	–
Final dividend paid for 2008 *(note 14(b))*	–	–	–	–	–	(16,780)	(16,780)
Proposed final dividend for 2009 *(note 14(a))*	–	(24,023)	–	–	–	24,023	–
At 31 December 2009	**287,498**	**2,145,224**	**–**	**16,788**	**(1,943,277)**	**24,023**	**530,256**

37. RESERVES *(Continued)*

Company *(Continued)*

Notes:

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

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

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

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

38. SHARE BASED EMPLOYEE COMPENSATION

Share options

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

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

Purpose of the Scheme

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

Eligible participants of the Scheme

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

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

Total number of securities issuable

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

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

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

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

As at the date of this annual report, the total number of share option available for grant under the 2002 Share Option Scheme was 11,302,781 representing approximately 4.7% of the Company's shares in issue as at that date.

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

Maximum entitlement of each employee/participant

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

Period to take up share options and minimum period to hold before exercise

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

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

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

Exercise price

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

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

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

(iii) the nominal value of the shares.

Life of the Schemes

The 2002 Share Option Scheme have a life of 10 years from its adoption dates. The remaining lives of the 2002 Share Option Scheme are 2.25 years from the date of this annual report.

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

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

						Number of options				
Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	As at 1 January 2009	Granted during the year	Exercised/ lapsed*/ cancelled** during the year	As at 31 December 2009	Fair value of options granted *(HK$'000)*
Directors										
Foo Kam Chu, Grace	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	600,000	–	–	600,000	–
	28 Oct 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	600,000	–	–	600,000	–
	9 Nov 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	–	600,000	–	600,000	978
Chan Wai Ling	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	2,000,000	–	–	2,000,000	–
	28 Oct 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	2,000,000	–	–	2,000,000	–
	9 Nov 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	–	2,000,000	–	2,000,000	3,260
Kong Siu Man, Kenny	9 Nov 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	–	120,000	–	120,000	196
Kwan Chai Ming	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	150,000	–	(150,000)*	–	–
	28 Oct 2008	1.50	1.76	2.63	27 April 2009 to 21 July 2012	150,000	–	(150,000)	–	–
Tse Chun Kong, Thomas	14 Jul 2003	1.50	1.50	1.90	8 January 2004 to 7 January 2009	60,000	–	(60,000)	–	–
	6 Jul 2004	1.45	1.47	5.36	6 January 2005 to 5 January 2010	90,000	–	(90,000)	–	–
	4 Jul 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	–	–	90,000	–
	21 Nov 2006	2.53	2.52	N/A	20 May 2007 to 19 May 2012	90,000	–	–	90,000	–
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	90,000	–	–	90,000	–
	28 Oct 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	90,000	–	–	90,000	–
	9 Nov 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	–	90,000	–	90,000	147

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	Number of options: As at 1 January 2009	Granted during the year	Exercised/ lapsed*/ cancelled** during the year	As at 31 December 2009	Fair value of options granted *(HK$'000)*
Directors										
Meng Qinghui	16 Jul 2003	1.50	1.50	N/A	8 January 2004 to 7 January 2009	60,000	–	(60,000)*	–	–
	6 Jul 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	–	–	90,000	–
	4 Jul 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	–	–	90,000	–
	19 Dec 2006	2.69	2.52	N/A	20 May 2007 to 19 May 2012	90,000	–	–	90,000	–
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	90,000	–	–	90,000	–
	28 Oct 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	90,000	–	–	90,000	–
Liang Yanfeng	8 Jan 2007	2.60	2.52	N/A	20 May 2007 to 19 May 2012	90,000	–	–	90,000	–
	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	90,000	–	–	90,000	–
	28 Oct 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	90,000	–	–	90,000	–
Other Employees	19 Jul 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	2,750,000	–	(70,000)*/ (50,000)**	2,630,000	–
	28 Oct 2008	1.50	1.76	3.10	27 April 2009 to 21 July 2012	3,080,000	–	(550,000)/ (50,000)*	2,480,000	–
	9 Nov 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	–	2,540,000	–	2,540,000	4,140
						12,620,000	5,350,000	(1,230,000)	16,740,000	8,721

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

As at 31 December 2009, 11,390,000 (2008: 6,520,000) share options under the 2002 Share Option Scheme are exercisable.

The fair value of the options granted during the year determined at the date of grant using the Black-Scholes option pricing model were HK$8,721,000 (2008: HK$2,588,000).

Date of grant	9 November 2009
Closing share price immediately preceding the date of grant	HK$4.84 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the dates of grant)	56%
Expected life (in years)	2.58 years
Risk-free interest rate	0.75%
Expected dividend yield	1.4%

The share options vest upon the commencement of the exercisable period and, as at 31 December 2009, the total vested amount of HK$2,925,000 (2008: HK$2,175,000) was expensed through profit or loss.

39. COMMITMENTS

(a) Operating lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

Group

	2009	2008
	HK$'000	*HK$'000*
Within one year	**7,309**	7,348
In the second to fifth years inclusive	**45**	320
	7,354	7,668

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

39. COMMITMENTS *(Continued)*

(b) Capital commitments

Group

	2009 HK$'000	2008 HK$'000
Contracted but not provided for:		
— Construction costs of property development	59,280	2,482
— Acquisition of properties held for sale	17,100	49,426
— Capital contribution to PRC subsidiaries of urban infrastructure business	13,600	15,800
— Capital contribution to PRC subsidiaries of property development business *(note 48(a))*	28,289	13,557
	118,269	81,265

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

Company

The Company does not have any significant commitments as at 31 December 2009 (2008: Nil).

40. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2009, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	2009 HK$'000	2008 HK$'000
Within one year	179,310	113,414
In the second to fifth years inclusive	221,598	58,742
	400,908	172,156

The Group leases its investment properties (note 16) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases also require the tenants to pay rental deposits.

41. CONTINGENT LIABILITIES

(a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$5,903,000 (2008: HK$5,293,000).

(b) A legal proceeding relating to a former owner challenging the reserve price for the auction sales of certain properties situated at 44 and 46 Haven Street is still under progress. On 24 March 2009, the Lands Tribunal made a judgement for the former owner to pay 90% of the costs of the Group for the Lands Tribunal proceeding. The former owner seeks to apply to the Lands Tribunal to review the cost order. The former owner also appeals to the Court of Appeal to set aside the cost order and is seeking to adjust upward the reserve price. If the cost order is reversed against the Group and the former owner succeeds in the appeal, the Group may have to bear all costs incurred in the Lands Tribunal proceeding and top up the shortfall of the portion of the reserve price payable which amounted to HK$1,200,000 and HK$6,190,000 respectively. According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fairly good chance to succeed in the review and the appeal and hence no provision was made for this legal proceeding as at reporting date.

(c) Another legal proceeding is related to the review and appeal of the auction sales price of certain properties situated at 48 and 50 Haven Street from its former owners. The Lands Tribunal made a judgement dated 27 March 2009 and as amended on 28 April 2009 for compulsory auction sale of the properties under Cap. 545 and also made an order for the former owners to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The auction sale has since been conducted and completed. The former owners apply to the Lands Tribunal to review the cost order but are not challenging the order for compulsory auction sale, the reserve price and their share and entitlement to the proceeds of the sale. If the cost order is reversed against the Group, the Group would have to bear all costs incurred in the Lands Tribunal and the legal costs and expenses incurred is about HK$700,000. The former owners have not substantiated their grounds for reversing the cost order. The Directors consider that it would not incur a material outflow of resources as a result of this legal proceeding.

42. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$2,707,768,000 (2008: HK$2,828,148,000) with respect to bank loans to its subsidiaries, which are also secured against properties held by those subsidiaries. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors consider that it was not probable that the repayment of the loan would be in default.

43. RELATED PARTY TRANSACTIONS

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

(a) A subsidiary of the Group entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2007 and expiring on 30 April 2010 at the monthly rental of HK$80,000. The parties subsequently agreed to early end and terminate the tenancy on 30 April 2009. With effect from 1 May 2009, another subsidiary of the Company entered into a tenancy agreement with that related company for leasing of that residential property for a period of one year commencing from 1 May 2009 and expiring on 30 April 2010 at the monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2009 amounted to HK$960,000 (2008: HK$960,000).

(b) A subsidiary of the Group entered into a tenancy agreement with a related company which is in association with an executive director of the Company for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 September 2009 and expiring on 31 August 2010 at the monthly rental of HK$45,000. Total rental paid for the year ended 31 December 2009 amounted to HK$180,000 (2008: Nil).

(c) A wholly owned subsidiary of the Group entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at RMB43,794 and RMB13,138 respectively. The total rental and management charges paid for the year amounted to HK$775,000 (2008: HK$702,000).

(d) On 16 April 2008, a related company in which the Chairman and an executive director of the Company have interests, advanced to a wholly owned subsidiary of the Group an unsecured revolving credit facility up to a maximum total principal amount of HK$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum. The final maturity date is on 30 April 2011. As at 31 December 2008, approximately HK$28,268,000 was utilised. The balance was fully repaid during the year ended 31 December 2009.

43. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Key management personnel compensation:

	2009 HK$' 000	2008 HK$' 000
Basic salaries and other benefits	13,104	12,592
Pension costs — defined contribution plan	120	132
Equity-settled share based payment	2,767	1,972
	15,991	14,696

44. DISPOSAL OF SUBSIDIARIES

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	55	—
Cash and cash equivalents	157	—
Other receivables, prepayments and deposits	8,429	10
Inventories	1,428	—
Other payables and accruals	(666)	—
Provision for income tax	(7,130)	—
Minority interests	(216)	—
	2,057	10
Gain on disposal of subsidiaries	657	—
Release of exchange reserve upon disposal	(2,694)	—
Consideration	20	10
Satisfied by:		
Cash	20	10
Net cash (outflow)/inflow arising on disposal:		
Cash consideration received	20	10
Bank and cash balances disposed of	(157)	—
	(137)	10

45. ASSETS ACQUISITIONS/BUSINESS COMBINATIONS

(a) On 13 November 2009, the Group acquired 51% of the effective equity interest of 珠海市騰基房產有限公司(“騰基”), a company engaged in property development in Zhuhai, the PRC.

騰基 held primarily a piece of land with no associated operation at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the acquisition of 騰基 is a purchase of net assets which does not constitute a business combination for accounting purpose.

The fair value of net assets acquired were as follows:

	Acquiree's carrying amount	**Fair Value**
	HK$'000	*HK$'000*
Cash and cash equivalents	101	101
Properties under development *(note 28)*	27,866	47,203
Other receivables	125	125
Other payables	(2,033)	(2,033)
Net assets	26,059	45,396
Minority interests (49%)		(22,244)
Net assets acquired		23,152
Satisfied by:		
Cash		23,152
Net cash outflow arising on acquisition:		
Purchase consideration settled in cash		(23,152)
Cash and cash equivalents acquired		101
		(23,051)

45. ASSETS ACQUISITIONS/BUSINESS COMBINATIONS *(Continued)*

(b) On 20 November 2009, the Group acquired 85% of the land development rights over a number of pieces of land situated at Kai Ping, the PRC, owned by 開平市三埠逕頭實業開發公司（"逕頭實業"）, a company engaged in property development in Kai Ping.

逕頭實業held a piece of land with no associated operation at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the acquisition of 逕頭實業 is a purchase of net assets which does not constitute a business combination for accounting purpose.

The fair value of net assets acquired were as follows:

	Acquiree's carrying amount	Fair Value
	HK$'000	*HK$'000*
Properties under development *(note 28)*	–	41,724
Minority interests (15%)		(6,258)
Net assets acquired		35,466
Satisfied by:		
Cash		22,698
Other payables		12,768
		35,466
Cash outflow arising on acquisition:		
Purchase consideration settled in cash		(22,698)

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

45. ASSETS ACQUISITIONS/BUSINESS COMBINATIONS *(Continued)*

(c) *(Continued)*

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

Details of the net assets acquired were as follows:

	2008 *HK$'000*
Purchase consideration settled in cash	4,200
Fair value of net assets acquired	(32)
Goodwill	4,168

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

The fair value of net assets acquired were as follows:

	2008 Acquiree's carrying amount *HK$'000*	Fair Value *HK$'000*
Cash and cash equivalents	136	136
Property, plant and equipment	25	25
Trade and other receivables	1,046	1,046
Trade and other payables	(1,136)	(1,136)
Provision for income tax	(25)	(25)
Deferred tax liabilities *(note 35)*	(14)	(14)
Net assets acquired	32	32
Purchase consideration settled in cash		(4,200)
Cash and cash equivalents in subsidiary acquired		136
Net cash outflow on acquisition		(4,064)

45. ASSETS ACQUISITIONS/BUSINESS COMBINATIONS *(Continued)*

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

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

Details of the net assets acquired were as follows:

	2008
	HK$'000
Purchase consideration settled in cash	23,420
Fair value of net assets acquired	(36,689)
Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition	(13,269)

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

45. ASSETS ACQUISITIONS/BUSINESS COMBINATIONS *(Continued)*

(d) *(Continued)*

The fair value of net assets acquired were as follows:

	2008	
	Acquiree's carrying amount	Fair value
	HK$'000	*HK$'000*
Cash and cash equivalents	6,037	6,037
Properties held for development *(note 19)*	10,016	39,253
Property, plant and equipment	190	190
Available-for-sale financial assets	13,710	13,710
Other payables	(192)	(192)
Deferred tax liabilities *(note 35)*	—	(7,259)
Borrowings	(683)	(683)
Net assets	29,078	51,056
Minority interests (28.14%)		(14,367)
Net assets acquired		36,689
Purchase consideration settled in cash		(23,420)
Cash and cash equivalents in subsidiary acquired		6,037
Net cash outflow on acquisition		(17,383)

45. ASSETS ACQUISITIONS/BUSINESS COMBINATIONS *(Continued)*

(e) On 31 March 2008, the Group acquired 100% of the equity interest of 漳州雙第玖玖休閒運動有限公司（"漳州雙第"）which will be engaged in property development business. The acquired company was dormant during the year.

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

The fair value of net assets acquired were as follows:

	2008	
	Acquiree's carrying amount	Fair Value
	HK$'000	*HK$'000*
Cash and cash equivalents	5,558	5,558
Property, plant and equipment	180	180
Deposit for property development*	4,259	9,825
Other payables	(360)	(360)
Net assets acquired*	9,637	15,203
Purchase consideration settled in cash		(15,203)
Cash and cash equivalents in subsidiary acquired		5,558
Net cash outflow on acquisition		(9,645)

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

46. FINANCIAL INSTRUMENTS

46.1 Financial risk management objectives and policies

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

Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed to are described below. A summary of the Group's financial assets and liabilities by category is disclosed in note 46.2.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk through the impact of interest rate changes on its interest bearing borrowings, and cash and cash equivalents. The interest rates and repayment terms of the Group's cash and cash equivalents and borrowings are disclosed in notes 32 and 34 respectively. The Group currently does not have an interest rate hedging policy. However, the Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

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

Interest rate sensitivity analysis

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to variable-rate financial instruments at that date. The 25 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 December 2008.

At 31 December 2009, it is estimated that a general increase of 25 basis points in interest rates, with all other variable held constant, would decrease the Group's profit after tax and retained profits by approximately HK$4,900,000 (2008: HK$5,229,000). There is no impact on other components of consolidated equity in response to the general increase in interest rates. A decrease of 25 basis points in interest rate would have had the equal but opposite effect on the above financial instruments to the amounts shown above, on the basis that all other variables remain constant.

46. FINANCIAL INSTRUMENTS *(Continued)*

46.1 Financial risk management objectives and policies *(Continued)*

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 29.

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

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

(c) *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group/Company mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and RMB respectively. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

46. FINANCIAL INSTRUMENTS *(Continued)*

46.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued expenses and other payables and borrowings, and also in respect of its cash flow management. The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required. The Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

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

Group

	31 December 2009					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	47,916	47,916	47,916	–	–	–
Accrued expenses and other payables	114,416	114,416	114,416	–	–	–
Bank loans, secured	2,103,733	2,175,442	426,943	261,288	1,335,119	152,092
	2,266,065	2,337,774	589,275	261,288	1,335,119	152,092

46. FINANCIAL INSTRUMENTS *(Continued)*

46.1 Financial risk management objectives and policies *(Continued)*

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

Group *(Continued)*

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

Company

	31 December 2009		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
Accrued expenses and other payables	314	314	314

46. FINANCIAL INSTRUMENTS *(Continued)*

46.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk *(Continued)*

Company *(Continued)*

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

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

(i) a related company granted an unsecured revolving credit facility of HK$100,000,000 with maturity date on 30 April 2011 (note 43(d)). The credit facility was not utilised as at the reporting date;

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

(iii) remaining sales proceeds arising from disposal of properties held for sale, excluding the deposits and partial payments received during the year, which amount to HK$68,775,000 (note 27), will be received in January 2010; and

(iv) with net assets of HK$4,943,767,000, the Group should be able to secure additional loan facilities, if necessary.

46. FINANCIAL INSTRUMENTS *(Continued)*

46.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the reporting dates are catergorised as follows. See notes 3.18 and 3.24 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**49,676**	19,698	**–**	–
At amortised cost				
— Trade receivables, net	**59,460**	63,073	**–**	–
— Other receivables, net	**8,405**	2,760	**–**	–
— Amount due from a jointly-controlled entity	**43,694**	24,673	**–**	–
— Amount due from a minority shareholder	**–**	5,427	**–**	–
— Amounts due from subsidiaries	**–**	–	**9,242**	46,449
Bank deposit at escrow account	**–**	197,452	**–**	–
Cash and cash equivalents	**143,811**	131,470	**39**	31
	305,046	444,553	**9,281**	46,480
Financial liabilities				
At amortised cost				
— Amounts due to subsidiaries	**–**	–	**–**	(29,399)
— Trade payables	**(47,916)**	(21,410)	**–**	–
— Accrued expenses and other payables	**(114,416)**	(12,030)	**(314)**	(311)
— Bank loans, secured	**(2,103,733)**	(2,392,123)	**–**	–
— Other loans	**–**	(28,268)	**–**	–
	(2,266,065)	(2,453,831)	**(314)**	(29,710)

47. CAPITAL RISK MANAGEMENT

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

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

The Group monitors capital on the basis of debt to equity ratio, which is net debt divided by total capital. Net debt is calculated as the sum of its borrowings, and trade and other payables less cash and cash equivalents as shown in the consolidated statement of financial position. Total capital is calculated as total equity, as shown in the consolidated statement of financial position. The Group aims to maintain the debt to equity ratio at manageable level.

	2009	2008
	HK$'000	*HK$'000*
Trade and other payables	**234,315**	95,493
Borrowings	**2,103,733**	2,420,391
Total debt	**2,338,048**	2,515,884
Less: Cash and cash equivalents	**(143,811)**	(131,470)
Net debt	**2,194,237**	2,384,414
Total equity	**4,943,767**	3,873,021
Net debt to equity ratio	**0.44:1**	0.62:1

48. EVENTS AFTER THE REPORTING DATE

(a) On 24 December 2009, Shan Shui Huacheng Property Management Company Limited ("Shan Shui Management"), a subsidiary held by the Company through Soundwill Real Estate (China) Limited ("Soundwill Real Estate"), acquired 100% equity interest in Zhuhai Doumen Hengfeng Building Materials Trading Company Limited ("Hengfeng") from various individuals (the "Sellers"). Hengfeng owns the land use right of a piece of land situated at Zhuhai with an area of approximately 23,329.28 square meters being used for industrial purpose and the factory building erected thereon. The total consideration payable by Shan Shui Management shall be RMB11,843,000 (HK$13,501,000 equivalents). Pursuant to the agreement dated 24 December 2009 entered into by the Sellers and Shan Shui Management, upon the completion of the transfer of the shareholdings, both Soundwill Real Estate and the Sellers are required to make further capital contribution of RMB12,326,000 (HK$14,052,000 equivalents) and RMB11,843,000 (HK$13,501,000 equivalents) respectively into Shan Shui Management for general working capital, including the development of the land. The capital contribution payable by the Sellers shall be set off against the consideration payable by Shan Shui Management.

On 31 December 2009, Shan Shui Management acquired from Zhuhai Doumen Zhong Xin Xingye Trading Company Limited ("Zhong Xin"), the minority shareholder of Shan Shui Management, the 100% of the right to develop 6 pieces of undeveloped land situated at Zhuhai with an area of approximately 19,997.6 square meters being used for the residential and commercial purposes. The total consideration payable by Shan Shui Management shall be RMB11,998,000 (HK$13,678,000 equivalents). Pursuant to the agreement dated 31 December 2009 entered into by Shan Shui Management and Zhong Xin, upon the completion of the transaction, both Soundwill Real Estate and Zhong Xin are required to make further capital contribution of RMB12,488,000 (HK$14,236,000 equivalents) and RMB11,998,000 (HK$13,678,000 equivalents) respectively into Shan Shui Management for general working capital, including the development expenditure for the land. The contribution payable by Zhong Xin shall be set off against the consideration payable by Shan Shui Management.

As at the reporting date, the above two transactions are still in the process of obtaining the approvals from the relevant government authorities for transferring the shareholdings and/or the right to develop the lands. Details of the transactions are set out in the Company's announcements dated 29 December 2009 and 4 January 2010 respectively.

48. EVENTS AFTER THE REPORTING DATE *(Continued)*

(b) On 24 February 2010, Soundwill Real Estate acquired 85% equity interest in Gao Yao Shi Jincheng Property Development Company Limited ("Jincheng"). Upon completion of the acquisition, Jincheng will be converted into a Sino Foreign Equity Joint Venture Enterprise to carry out the business of land development. Jincheng has the right to develop an undeveloped land located at Zhaoqing with an area of approximately 73,917.07 square meters being used for residential and commercial purposes. The total consideration payable by Soundwill Real Estate shall be RMB56,610,000 (HK$64,536,000 equivalents). The total cost for the construction and development of the land is presently estimated to be approximately RMB128,747,000 (HK$146,772,000 equivalents). As at the reporting date, the transaction is still in the process of obtaining the approvals from the relevant government authorities for transferring the shareholdings. Details of the transaction are set out in the Company's announcement dated 24 February 2010.

(c) The Group disposed of its properties held for sale at a consideration of HK$98,250,000. The transaction was completed in January 2010. Details are set out in note 27 to the financial statements.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2009 are as follows:

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Allied Way Properties Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Property assembly and trading
Billion Golden Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Property investment
Champion Fund Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Property investment
Forever Profit Properties Limited (formerly known as Soundwill (Fujian) Limited)#	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Property investment
Golden Harvest Properties Investments Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Property investment
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	–	100%	Property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of building repairs and maintenance services

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Goldwell Property Management Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Provision of building management service
Haven Properties Limited (formerly known as Fineway Properties Limited)	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Property investment
Jilin Properties Limited (formerly known as Soundwill (Jilin) Limited)#	Hong Kong	99 ordinary shares of HK$1 each 1 non-voting deferred share of HK$1	–	100%	Property development
Keep Will Investment Limited (formerly known as Soundwill (Shaanxi) Limited)#	Hong Kong	1,000 ordinary shares of HK$1 each	–	100%	Investment holding
Keyland Limited	Hong Kong	1,000 ordinary shares of HK$1 each	–	100%	Property investment
Onwell Properties Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Property investment
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK$1 each	100%	–	Investment holding
Soundwill (China) Limited	Hong Kong	261,500,213 ordinary shares of HK$1 each	–	100%	Investment holding
Soundwill Real Estate (China) Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Strong Well Property Management Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of building management service
Warren Investment Properties Limited (formerly known as Good Faith Properties Limited)	Hong Kong	1 ordinary share of HK$1	–	100%	Property development
珠海市山水花城物業管理有限公司	PRC	Registered capital of RMB25,000,000	–	51%	Property development
廣州金朝陽城市管網建設有限公司***	PRC	Registered capital of RMB10,000,000	–	100%	Urban infrastructure development
山東金朝陽城市管網建設有限公司***	PRC	Registered capital of HK$10,000,000	–	100%	Urban infrastructure development
景德鎮城市管網建設投資管理有限公司*	PRC	Registered capital of HK$8,000,000	–	80%	Urban infrastructure development

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of interest held by the Company Directly	Percentage of interest held by the Company Indirectly	Principal activities
黃岡市城市管網建設投資有限公司*	PRC	Registered capital of HK$12,500,000	–	80%	Urban infrastructure development
威海市城市管網建設投資有限公司*	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
鄂州金朝陽城市管網建設投資有限公司*	PRC	Registered capital of HK$10,000,000	–	80%	Urban infrastructure development
柳州城市管網建設管理有限公司*	PRC	Registered capital of HK$30,000,000	–	80%	Urban infrastructure development
貴港金朝陽城市管網建設管理有限公司*	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
南昌城市管網建設投資有限公司*	PRC	Registered capital of HK$30,000,000	–	80%	Urban infrastructure development
南平市(金朝陽)城市管道建設投資管理有限公司*	PRC	Registered capital of HK$13,748,000	–	80%	Urban infrastructure development
韶關城市管網建設投資管理有限公司*	PRC	Registered capital of HK$16,000,000	–	80%	Urban infrastructure development
許昌市市政公用管網投資建設管理有限公司*	PRC	Registered capital of HK$6,000,000	–	80%	Urban infrastructure development
玉溪市城市管道建設有限公司*	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
寶雞市城市管網建設有限公司*	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
渭南市城市管網建設管理有限公司*	PRC	Registered capital of HK$20,000,000**	–	80%	Urban infrastructure development
連雲港金朝陽城市管網建設管理有限公司*	PRC	Registered capital of HK$20,000,000**	–	80%	Urban infrastructure development

Notes:

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

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

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

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

Appendix I – Major Properties held as at 31 December 2009

Location	Approximate gross floor area (sq.ft.)	Interest attributable to the Group	Approximate gross floor area attributable to the Group (sq.ft.)	Land use	Lease term
38 Russell Street, Causeway Bay, Hong Kong Soundwill Plaza	243,151	100%	243,151	Commercial	Long-term lease
5-29 Tang Lung Street, Causeway Bay, Hong Kong	121,848	100%	121,848	Commercial	Long-term lease
13-27 Warren Street, Tai Hang, Hong Kong	79,632	100%	79,632	Residential	Long-term lease
32-50 Haven Street, Causeway Bay, Hong Kong	192,903	100%	192,903	Commercial	Long-term lease
G/F – 3/F, 118 Electric Road, North Point, Hong Kong	2,757	100%	2,757	Residential	Long-term lease
17-19 Hing Wan Street, Wanchai, Hong Kong	11,853	100%	11,853	Residential	Long-term lease
34 Tang Lung Street, Causeway Bay, Hong Kong	3,748	100%	3,748	Commercial/ Residential	Long-term lease
中國廣東省珠海市斗門區井岸鎮港霞路	459,760	51%	234,478	Residential	Medium-term lease
中國廣東省珠海市斗門區井岸鎮五福村五福圍	1,000,000	51%	510,000	Residential	Medium-term lease
中國福建省長泰武安鎮建設南路	69,700	100%	69,700	Residential	Medium-term lease
Total	2,185,352		1,470,070		

Appendix II — Five-year Financial Summary

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

CONSOLIDATED RESULTS

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
Turnover	**713,714**	338,991	464,673	197,464	162,631
Profit before income tax	**1,238,788**	154,786	1,270,108	499,150	656,463
Income tax (expense)/credit	**(185,375)**	4,656	(207,170)	(76,045)	(107,831)
Profit for the year	**1,053,413**	159,442	1,062,938	423,105	548,632
Profit attributable to owners of the Company	**1,058,583**	162,471	1,063,285	422,474	547,423
Minority interests	**(5,170)**	(3,029)	(347)	631	1,209
	1,053,413	159,442	1,062,938	423,105	548,632

CONSOLIDATED ASSETS AND LIABILITIES

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
Non-current assets	**7,311,591**	6,285,001	5,512,874	4,361,544	3,742,722
Net current assets/(liabilities)	**208,712**	15,670	262,051	(789,152)	(104,712)
Non-current liabilities	**(2,576,536)**	(2,427,650)	(2,097,496)	(969,850)	(1,460,120)
Minority interests	**(56,588)**	(33,472)	(22,052)	(22,249)	(17,609)
Equity attributable to owners of the Company	**4,887,179**	3,839,549	3,655,377	2,580,293	2,160,281

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Soundwill Holdings Limited ("the Company") will be held at 3:30 p.m., on Tuesday, 1 June 2010 at 36th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2009;

2. To declare a final dividend for the year ended 31 December 2009;

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

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

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

ORDINARY RESOLUTIONS

A. "**THAT**:

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

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

(c) for the purposes of this Resolution,

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

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

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

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

B. "**THAT**:

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

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

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

(d) for the purpose of this Resolution,

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

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

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

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

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

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

D. "**THAT** conditional on The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares of HK$0.10 each in the capital of the Company ("Shares") to be issued pursuant to the exercise of any options (the "Options") which may be granted under the Refreshed Scheme Mandate Limited (as hereinafter defined) of the existing share option scheme of the Company adopted on 22 July 2002 (the "Scheme") or under any other share option schemes of the Company, the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue Shares pursuant to the exercise of any Options up to 10 per cent. of the number of Shares in issue at the date of this Resolution provided that Options previously granted under the Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme) shall not be counted for the purpose of calculating the 10 per cent. limit (the "Refreshed Scheme Mandate Limit")."

By Order of the Board
Tse Wai Hang
Company Secretary

Hong Kong, 29 April 2010

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

Notes:

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

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

3. The Register of members of the Company will be closed from Tuesday, 25 May 2010 to Tuesday, 1 June 2010 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 24 May 2010.

金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)