



# **POLYTEC ASSET HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 208

**2007** ANNUAL REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

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

### Non-executive directors

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

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

## COMPANY SECRETARY

Lau Sui Cheung

## AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong  
Lai Ka Fai

## AUDITORS

KPMG

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

## STOCK CODE

Hong Kong Stock Exchange: 208

## WEBSITE

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

# Five-Year Financial Summary

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

## RESULTS

	<b>1 January 2007 to 31 December 2007 HK\$'000</b>	1 January 2006 to 31 December 2006 HK\$'000	1 January 2005 to 31 December 2005 HK\$'000	1 December 2003 to 31 December 2004 HK\$'000 (restated*)	1 December 2002 to 30 November 2003 HK\$'000
Turnover	<b>3,050,768</b>	560,831	196,827	152,882	17,672
Profit/(loss) from operations	<b>427,057</b>	141,827	55,302	25,055	(445)
Change in fair value of investment properties	—	—	105,047	—	—
Share of results of jointly controlled entities	<b>14,772</b>	4,433	332,826	61,668	—
Provision for loan advanced to a jointly controlled entity written back	—	—	18,500	—	—
Gain on disposal of subsidiaries	—	—	—	—	18,397
Finance costs	<b>(104,073)</b>	(81,188)	(3,437)	(249)	(2,362)
Profit before tax	<b>337,756</b>	65,072	508,238	86,474	15,590
Income tax expenses	<b>(65,058)</b>	(16,914)	(19,100)	(4,213)	—
Profit after tax	<b>272,698</b>	48,158	489,138	82,261	15,590
Minority interests	<b>(50,508)</b>	(18,366)	(11,724)	(3,462)	—
Net profit attributable to equity holders of the Company	<b>222,190</b>	29,792	477,414	78,799	15,590

# Five-Year Financial Summary

## ASSETS AND LIABILITIES

	<b>31 December 2007 HK\$'000</b>	31 December 2006 HK\$'000	31 December 2005 HK\$'000	31 December 2004 HK\$'000 (restated*)	30 November 2003 HK\$'000
Total assets	<b>14,435,875</b>	11,297,351	1,358,301	862,391	52,795
Total liabilities	<b>(3,717,661)</b>	(3,529,786)	(210,756)	(206,642)	(1,612)
Minority interests	<b>(67,792)</b>	(57,602)	(52,452)	(40,728)	—
Equity attributable to equity holders of the Company	<b>10,650,422</b>	7,709,963	1,095,093	615,021	51,183

## FINANCIAL HIGHLIGHTS

	<b>1 January 2007 to 31 December 2007</b>	1 January 2006 to 31 December 2006	1 January 2005 to 31 December 2005	1 December 2003 to 31 December 2004 (restated*)	1 December 2002 to 30 November 2003
Increase/(decrease) in turnover (%)	<b>444</b>	185	29	765	(29)
Increase/(decrease) in net profit attributable to equity holders of the Company (%)	<b>646</b>	(94)	506	405	(21)
Net asset value per ordinary share (HK cents)	<b>239.93</b>	178.62	89.05	50.42	17.20**
Current ratio	<b>2.39</b>	2.79	7.13	4.65	29.97
Bank borrowings to equity ratio	<b>0.01</b>	0.01	0.08	0.16	—
Total debts to equity ratio	<b>0.14</b>	0.40	0.08	0.16	—
Return on equity (%)	<b>2.09</b>	0.39	43.60	12.81	30.50
Basic earnings per share (HK cents)	<b>5.06</b>	1.04	38.97	16.56	4.30 <sup>#</sup>
Dividends per share (HK cents)	<b>1.80</b>	1.00	2.00	—	—

# Five-Year Financial Summary

- \* In compliance with Hong Kong Financial Reporting Standards, the Group has adopted certain new accounting policies since the financial year ended 31 December 2005. To conform with current presentation, certain comparative amounts in the financial period from 1 December 2003 to 31 December 2004 have been restated.
- \*\* The amount of net asset value per ordinary share in 2003 has been restated, as the Company has consolidated every 20 ordinary shares in issue into 1 ordinary share during the period ended 31 December 2004.
- # The basic earnings per share for the year ended 30 November 2003 has been restated, as the Company has consolidated every 20 ordinary shares in issue into 1 ordinary share and effected two rights issue during the period ended 31 December 2004.

# Chairman's Statement

## GROUP RESULTS AND DIVIDENDS

The Group's net profit rose to HK\$222 million for the year ended 31 December 2007 from HK\$29.8 million in 2006.

During 2007, 122,542,543 new shares were issued at HK\$1.98 per share as a result of the exercise of subscription rights attached to bonus warrants distributed to the shareholders on 19 June 2006. Taking account of the subsequent dilution, net earnings per share for 2007 amounted to HK5.05 cents, representing an increase of 410% over the previous year.

The Board of Directors has proposed the payment of a final dividend of HK1.2 cents per share for the year ended 31 December 2007. Together with the interim dividend of HK0.6 cent per share and subject to the shareholders' approval of the final dividend at the annual general meeting of the Company, dividend per share for 2007 will amount to HK1.8 cents, an increase of 80% over 2006.

The final dividend for the financial year ended 31 December 2007 will be paid on 22 May 2008.

## BUSINESS REVIEW

### Property Sales

The Group's two major development projects in Macau are progressing well. The presale of Villa de Mer, the first phase of the development project in the Orient Pearl District, has been encouraging, with approximately 80% of over 1,300 residential units being pre-sold generating total sales proceeds of over HK\$3 billion as of 31 December 2007. The design of the master layout of the second phase of this development has been completed and will be submitted to the relevant government authorities for approval shortly.

All 295 residential units of the Group's development project in Taipa, called Pacifica Garden, were pre-sold in early 2007, generating total sales proceeds exceeding HK\$700 million as of 31 December 2007. Once the project has been completed, the associated carparking and retail space will be put up for sale.

### Property Development

The status of our major development projects in Macau is as follows.

#### *Villa de Mer, The Orient Pearl District*

Villa de Mer covers an attributable gross floor area of approximately 126,400 sq. m. and comprises 5 towers with a total of about 1,300 residential units and a number of retail shops on the ground floor. The foundation work is scheduled to be completed shortly and the project is expected to be finished in 2009/2010.

# Chairman's Statement

## *Pacifica Garden, Taipa*

Pacifica Garden is the Company's 58% owned residential and commercial project in Taipa, Macau, and provides an attributable gross floor area of 35,900 sq. m. in two buildings comprising a total of 295 residential units and a number of retail shops on the ground floor. The foundation work has been completed and the superstructure is now in progress. The project is expected to be completed in late 2008 or early 2009.

## **Property Investment**

Gross rental income of the Group amounted to HK\$30.9 million for the year ended 31 December 2007, an increase of 37.2% over the corresponding period of last year. The Group's 50% owned commercial building called The Macau Square, located in the central business district, remains our major rental income contributor generating a total of HK\$26.3 million rental income attributable to the Group in 2007.

China Plaza, of which we own 70.5% stake, generated gross rental income of HK\$4.6 million attributable to the Group in 2007. This is HK\$1.1 million lower than the figure for 2006 because certain retail units were sold during 2007. It is intended to dispose of the remaining commercial units this year.

## **Ice and Cold Storage**

The ice manufacturing and cold storage business recorded an operating profit of HK\$13.5 million for 2007 (2006: HK\$13.6 million). The Group continues to explore possible expansion opportunities.

## **Finance and Investment**

With favourable market conditions over the past year, our finance and investment segment has performed satisfactorily. The investment activity contributed HK\$250 million to the Group's net profit in 2007 compared to HK\$60 million in 2006. We expect this segment will perform less favourably in 2008 reflecting the deterioration in global financial markets and the slowdown of the world economy.

## **FINANCIAL REVIEW**

As at 31 December 2007, the Group's total liquid assets amounted to HK\$829 million, of which HK\$310 million were in cash and cash equivalents. The major current liabilities of the Group consisted of deposits received from the pre-sale of properties of HK\$420 million, which represents deferred revenues of the Group.

The Group's gearing ratio, expressed as a percentage of total borrowings, which includes the amounts due to the holding companies of the Company and bank borrowings, over the equity attributable to equity holders of the Company, was 13.8% as of 31 December 2007. The bank borrowings of the Group are repayable over 5 years from the date of the inception of the loans by monthly instalments, are denominated in Hong Kong dollars and bear interest at the prevailing market rates.



# Chairman's Statement

The outstanding balance for the acquisition from the ultimate holding company of an 80% interest in the development of land situated at The Orient Pearl District in Macau, was reduced to HK\$902 million. This balance is unsecured and bears interest at bank lending rates and is repayable at the Group's option when the liquidity position of the Group permits. Part repayment of HK\$1,348 million made during the year was financed by the amounts received from the pre-sale of Villa de Mer up to 31 December 2007. Additional finance was provided to the Group by advances from its immediate holding company for the part repayment of the outstanding balance for the acquisition and other investment activities. These advances are also unsecured and bear interest at prevailing market rates with no fixed repayment terms.

As indicated above, the Company declared a bonus issue of 122,981,448 warrants in the Company to its shareholders on 19 June 2006. Each warrant entitled its holder to subscribe in cash for one new ordinary share at HK\$1.98 per share. During the year, the Company issued 122,542,543 ordinary shares pursuant to the exercise of subscription rights attached to the warrants issued by the Company and a total subscription price of HK\$242.6 million was received by the Company. All the warrants were exercised during its subscription period from 19 June 2006 to 18 June 2007, excepted that 431,965 warrants expired on 18 June 2007.

As at 31 December 2007, certain assets of the Group with an aggregate net book value of approximately HK\$1,222 million were pledged to secure credit facilities granted to the Group.

## PROSPECTS

The Macau economy continued to expand at a robust pace in 2007, with real gross domestic product (GDP) rising an average of 29.5% in the first three quarters of last year following an average growth rate of 15% during 2002 — 2006. We are optimistic about the outlook for the economy and believe it will continue to expand at a solid pace in the years ahead, with a number of large infrastructure development projects in the pipeline and continued foreign and local investment in the gaming, tourism and related industries buoying its economic growth and hence its property markets.

The average transaction price of residential units in Macau surged 29% last year. We expect the demand for housing to remain strong in the coming years. As local residents' income has been rising rapidly over the past years and is also expected to continue to increase, the desire for better living standard and hence quality housing will certainly grow. This, together with an anticipated continued increase in importing foreign labour for the gaming, construction and related industries, is expected to maintain solid demand for housing in Macau in the years ahead.

# Chairman's Statement

The recent agreement reached on financing the construction of the Hong Kong-Zhuhai-Macau Bridge has taken a further step forward. As a leading property developer in Macau with a sizeable landbank and development projects situated at the intended landing point of the Bridge, we are well-positioned to benefit favourably from the economic development of Macau and particularly this mega infrastructure project.

Finally, I would like to take this opportunity to express my gratitude to my fellow directors for their advice and to our staff for their dedication and hard work.

**Or Wai Sheun**

*Chairman*

Hong Kong, 17 March 2008

# Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2007.

## **PRINCIPAL ACTIVITIES**

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

## **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 28 to 80.

An interim dividend of HK\$0.006 per share was paid on 11 October 2007. The directors now recommend the payment of a final dividend of HK\$0.012 per share to the shareholders on the register of members on 23 April 2008, estimated to be HK\$53,268,000.

## **FIXED ASSETS**

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

## **SHARE CAPITAL**

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

## **RESERVES**

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

## **DISTRIBUTABLE RESERVES**

As at 31 December 2007, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$193,372,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2007, the Company's share premium account amounted to HK\$5,912,600,000.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer and supplier during the year.

## DIRECTORS

The directors of the Company during the year were:

### Executive directors

Mr. Or Wai Sheun (*Chairman*)

Mr. Yeung Kwok Kwong

Ms. Wong Yuk Ching

Mr. Lam Chi Chung, Tommy

Ms. Chio Koc Ieng

### Non-executive director

Mr. Lai Ka Fai

### Independent non-executive directors

Mr. Anthony Francis Martin Conway

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

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

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Anthony Francis Martin Conway, Mr. Lam Chi Chung, Tommy and Mr. Siu Leung Yau will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

# Report of the Directors

## **APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **DIRECTORS' SERVICE CONTRACTS**

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

## **DIRECTORS' INTERESTS IN CONTRACTS**

The directors' interests in contracts with the Group during the year are set out in notes 32(iii), (iv), (v), (vi), (vii) and (viii).

On 19 December 2006, Kowloon Development Company Limited ("KDC"), a holding company of the Company, entered into an underwriting agreements with Intellinsight Holdings Limited ("Intellinsight"), a company controlled by a director of the Company, and certain directors of the Company. Pursuant to the underwriting agreement, Intellinsight undertook to KDC to subscribe for 224,119,041 rights shares provisionally allotted to it and such directors, in aggregate, to subscribe for 303,500 rights shares provisionally allotted to them under a one-for-two rights issue at a price of HK\$13.80 per rights share, which particulars were detailed in the KDC's prospectus dated 19 January 2007. The rights issue became unconditional on 7 February 2007. Each of Intellinsight and such directors took up their respective provisional allotment under the underwriting agreement.

On 7 January 2004, a wholly-owned subsidiary of KDC entered into an agreement with a company controlled by a director of the Company to acquire the entire issued share capital of and shareholder's loan due by Top Milestone Developments Limited ("Top Milestone") in turn to acquire an interest in a property development project in Macau at an aggregate consideration of HK\$400 million. As at 31 December 2007, an amount of HK\$300,527,000 was receivable by Top Milestone from the project for the distribution of profit.

As at 31 December 2007, KDC and its subsidiaries, excluding the Group, ("KDC Group") owed HK\$495,964,000, which is unsecured, interest bearing at prevailing market rate with no fixed repayment term, to a company controlled by a director of the Company. During the year, interest of HK\$27,881,000 was paid by the KDC Group.

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

# Report of the Directors

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

At 31 December 2007, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### Long positions in shares of the Company

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital (Note 1)
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	2,642,064,812	59.52%
Mr. Yeung Kwok Kwong	Directly beneficially owned	1,860,000	0.04%
Ms. Wong Yuk Ching	Directly beneficially owned	6,600,000	0.15%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	100,000	0.00%
Ms. Chio Koc Ieng	Directly beneficially owned	150,000	0.00%
Mr. Lai Ka Fai	Directly beneficially owned	430,000	0.01%

# Report of the Directors

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

### Long positions in shares of associated corporation — Kowloon Development Company Limited

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital (Note 3)
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	689,649,124	59.93%
	Through controlled corporation	277,500	0.02%
Mr. Yeung Kwok Kwong	Directly beneficially owned	165,000	0.01%
Ms. Wong Yuk Ching	Directly beneficially owned	1,150,000	0.10%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	15,000	0.00%
Ms. Chio Koc Ieng	Directly beneficially owned	150,000	0.01%
Mr. Lai Ka Fai	Directly beneficially owned	468,000	0.04%

Save as disclosed above, as at 31 December 2007, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Report of the Directors

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

### Notes:

1. As at 31 December 2007, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. Mr. Or Wai Sheun was deemed to be interested in 689,649,124 shares in KDC as the founder and one of the beneficiaries of a discretionary family trust.

Mr. Or Wai Sheun was also deemed to be interested in 277,500 shares in KDC owned by China Dragon Limited due to his corporate interest therein.

Mr. Or Wai Sheun was also deemed to be interested in 2,642,064,812 shares in the Company through his interest in KDC.

The interest in 2,642,064,812 shares in the Company as disclosed above by Mr. Or Wai Sheun is the same interests in the Company as disclosed by KDC, HSBC International Trustee Limited and The Or Family Trustee Limited Inc under the heading of "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" below.

3. As at 31 December 2007, the total number of issued ordinary shares in KDC was 1,150,681,275 ordinary shares.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As disclosed in note 29 to the financial statements, the Company made a bonus issue of warrants to its shareholders during the year ended 31 December 2006. Pursuant to the bonus issue, the Company granted certain warrants to its directors or their controlled corporations in the capacity of shareholders of the Company, as such directors or their controlled corporations held certain ordinary shares of the Company on the record date of the bonus issue. The followings are the details of ordinary shares issued to such directors pursuant to the exercise of the subscription rights attached to the warrants during the year:

<b>Name</b>	<b>Number of ordinary shares</b>
Mr. Or Wai Sheun	69,897,537
Mr. Yeung Kwok Kwong	160,000
Ms. Wong Yuk Ching	600,000
Mr. Lai Ka Fai	30,000

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



# Report of the Directors

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

At 31 December 2007, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital <i>(Note 1)</i>
<b>Long positions</b>			
Kowloon Development Company Limited <i>(Notes 2 and 5)</i>	Through controlled corporation	2,642,064,812	59.52%
HSBC International Trustee Limited <i>(Notes 4 and 5)</i>	Trustee	2,642,064,812	59.52%
The Or Family Trustee Limited Inc. <i>(Notes 3 and 5)</i>	Through controlled corporation	2,642,064,812	59.52%
Wachovia Corporation <i>(Note 6)</i>	Through controlled corporation	265,460,000	5.98%
Penta Investment Advisers Limited <i>(Note 7)</i>	Investment manager	237,565,000	5.35%
John Zwaanstra <i>(Note 7)</i>	Through controlled corporation	237,565,000	5.35%
Janus Capital Management LLC	Investment manager	221,188,133	4.98%

Save as disclosed above, as at 31 December 2007, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Report of the Directors

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES** *(Continued)*

Notes:

1. As at 31 December 2007, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. KDC, through its wholly owned subsidiary, Marble King International Limited, owns 2,642,064,812 ordinary shares in the Company.
3. The Or Family Trustee Limited Inc holds 689,649,124 ordinary shares in KDC (being 59.93% of the issued ordinary share capital of KDC) and, therefore was deemed to be interested in 2,642,064,812 ordinary shares in the Company.
4. HSBC International Trustee Limited holds 690,366,624 ordinary shares in KDC (being 60.00% of the issued ordinary share capital of KDC) and therefore was deemed to be interested in 2,642,064,812 ordinary shares in the Company.
5. The interest in 2,642,064,812 ordinary shares in the Company as disclosed above by KDC, HSBC International Trustee Limited and The Or Family Trustee Limited Inc and by Mr. Or Wai Sheun under the heading of "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above are the same interests in the Company.
6. Wachovia Corporation holds 100% interest in Wachovia Investors, Inc and therefore was deemed to be interested in 265,460,000 ordinary shares in the Company owned by Wachovia Investors, Inc.
7. John Zwaanstra is a director of Penta Investment Advisers Limited and therefore was deemed to be interested in 237,565,000 ordinary shares in the Company owned by Penta Investment Advisers Limited.

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

Save as disclosed in notes 28 and 29 to the financial statements, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **SHARE OPTION SCHEME**

Detailed disclosures relating to the Company's share option schemes are set out in note 30 to the financial statements.

## **EMPLOYEES**

As at 31 December 2007, the total number of employees of the Group was about 80. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 30 to the financial statements.

# Report of the Directors

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **PRE-EMPTIVE RIGHTS**

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

## **CHARITABLE DONATIONS**

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 18 April 2008 to Wednesday, 23 April 2008 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2007. In order to qualify for the entitlement of the final dividend, the shareholders must ensure that all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 April 2008.

## **AUDITORS**

For the past three years, Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company for the financial period ended 31 December 2004 and the financial year ended 31 December 2005 and Messrs. KPMG has been appointed as auditors of the Company since the financial year ended 31 December 2006.

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

On Behalf of the Board

**Or Wai Sheun**

*Chairman*

Hong Kong

17 March 2008

# Corporate Governance Report

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

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

## BOARD OF DIRECTORS

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

The Board has a balanced composition of executive and non-executive directors. Currently, the Board comprises five Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng, one Non-executive Director, being Mr. Lai Ka Fai, and three Independent Non-executive Directors, being Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. The Directors have no financial, business, family or other material/relevant relationship. The profiles of the Directors, which are set out on pages 24 to 25, demonstrate a balance of skills and experience of the Board.

To ensure the compliance of Code Provisions D.1.1 and D.1.2, an executive committee has been established for the management and administration functions. The Board has also formalised the function reserved by the Board and those delegated to the management and clear direction has been given as to the power of the management.

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

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

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## AUDIT COMMITTEE

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

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

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

During the year, the Audit Committee reviewed the audited financial statements for 2006 and the interim financial statements for 2007 and met with the external auditors and the management, including the qualified accountant, of the Company to discuss issues arising from the audit of the financial statements. The Audit Committee also reviewed the effectiveness of the system of internal control of the Group.

# Corporate Governance Report

## REMUNERATION OF DIRECTORS

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

<b>Directors</b>	<b>Number of attendance</b>
Mr. Yeung Kwok Kwong ( <i>Chairman of the Remuneration Committee</i> )	2/2
Mr. Anthony Francis Martin Conway	2/2
Mr. Siu Leung Yau	2/2
Mr. Liu Kwong Sang	2/2

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

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

## NOMINATION OF DIRECTORS

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

## NON-EXECUTIVE DIRECTORS

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

# Corporate Governance Report

## **APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS**

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

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

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **INTERNAL CONTROLS**

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

# Corporate Governance Report

## AUDITORS' REMUNERATION

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

	<i>HK\$'000</i>
Services rendered	
— audit services	<u>860</u>



# Profile of Directors

## EXECUTIVE DIRECTORS

**Mr. Or Wai Sheun**, aged 56, joined the Company in April 2006 as the Chairman of the Board of Directors. Mr. Or has over 25 years' experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr. Or is also the chairman of the board of directors of Kowloon Development Company Limited, Intellinsight Holdings Limited, Polytec Holdings International Limited and a director of Marble King International Limited and Or Family Trustee Limited Inc., all five companies being substantial shareholders of the Company.

**Mr. Yeung Kwok Kwong**, aged 49, joined the Company in September 2000 as the Chairman of the Board of Directors and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board of Directors but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 25 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited and a director of Marble King International Limited, both companies being substantial shareholders of the Company.

**Ms. Wong Yuk Ching**, aged 51, joined the Company in January 2002 as Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

**Mr. Lam Chi Chung, Tommy**, aged 53, joined the Company in October 2005 as Executive Director. Prior to joining the Company, he was an executive director of Century City International Holdings Limited and Regal Hotels International Holdings Limited. He has expertise and extensive experience in the banking, international finance, project advisory and fund management fields. He is currently responsible for the development of corporate strategies, corporate planning and corporate finance of the Group. Mr. Lam graduated from the University of Windsor, Canada with a bachelor degree of science in computer science and mathematics and also attained a master's degree of business administration in accounting and management sciences from Long Island University, U.S.A.

**Ms. Chio Koc Ieng**, aged 41, joined the Group in December 2004 and was appointed as Executive Director in April 2006. She has attained 20 years working experience in various prominent and well-established property development companies in Macau. She is responsible for development of corporate strategies, corporate planning and general management of the Group.

# Profile of Directors

## NON-EXECUTIVE DIRECTOR

**Mr. Lai Ka Fai**, aged 43, joined the Company in September 2000 as Executive Director, and was re-designated as Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an executive director of Kowloon Development Company Limited and a director of Marble King International Limited and Intellinsight Holdings Limited, all three companies being substantial shareholders of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Anthony Francis Martin Conway**, aged 67, joined the Company in September 2000 as Independent Non-executive Director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association I.T. Management Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

**Mr. Siu Leung Yau**, aged 54, joined the Company in September 2000 as Independent Non-executive Director. Mr. Siu has over 25 years' experience in property agency, investment and development. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited, the Hong Kong Institute of Real Estate Administrators and Guangzhou Tianhe Political Consultative Committee and an executive director of Hong Kong Chamber of Commerce in China Guangdong.

**Mr. Liu Kwong Sang**, aged 46, joined the Company in July 2000 as Independent Non-executive Director. He is a certified public accountant (practising) in Hong Kong with more than 15 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants and a fellow member of the National Institute of Accountants, Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as independent non-executive directors of certain listed companies on the main board and GEM board of the Hong Kong Stock Exchange and a company listed on the American Stock Exchange.

# Independent Auditor's Report



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

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

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 28 to 80, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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

# Independent Auditor's Report

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

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **KPMG**

*Certified Public Accountants*

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

17 March 2008

# Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
TURNOVER	5	<b>3,050,768</b>	560,831
Cost of sales		<b>(2,570,990)</b>	(434,411)
Gross profit		<b>479,778</b>	126,420
Other operating income	5	<b>76,430</b>	61,036
Selling and distribution costs		<b>(19,348)</b>	(5,402)
Administrative expenses		<b>(16,486)</b>	(15,694)
Other operating expenses		<b>(93,317)</b>	(24,533)
PROFIT FROM OPERATIONS	6	<b>427,057</b>	141,827
Share of results of jointly controlled entities		<b>14,772</b>	4,433
Finance costs	8	<b>(104,073)</b>	(81,188)
PROFIT BEFORE TAX		<b>337,756</b>	65,072
Income tax expenses	9	<b>(65,058)</b>	(16,914)
PROFIT FOR THE YEAR		<b>272,698</b>	48,158
ATTRIBUTABLE TO:			
Equity holders of the Company		<b>222,190</b>	29,792
Minority interests		<b>50,508</b>	18,366
		<b>272,698</b>	48,158
EARNINGS PER SHARE	11		
— Basic		<b>5.06 cents</b>	1.04 cents
— Diluted		<b>5.05 cents</b>	0.99 cent
DIVIDEND PER SHARE	12(a)	<b>1.80 cents</b>	1.00 cent

The notes on pages 35 to 80 form part of these financial statements.

# Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	36,678	38,961
Prepaid lease payments	14	108,577	111,397
Investment properties	15	150,000	150,000
Interests in jointly controlled entities	16	413,711	398,939
Interests in property development	17	12,013,954	9,490,063
Goodwill	18	16,994	16,994
		<b>12,739,914</b>	10,206,354
<b>CURRENT ASSETS</b>			
Amounts due from jointly controlled entities	19	216,431	256,616
Held for trading investments	20	518,847	239,362
Derivative financial instruments	21	13,813	4,573
Inventories	22	311,627	282,083
Tax recoverable		—	475
Trade and other receivables	23	30,729	25,119
Prepaid lease payments	14	2,820	2,820
Margin deposits		291,446	65,994
Cash and cash equivalents	24	310,248	213,955
		<b>1,695,961</b>	1,090,997
<b>CURRENT LIABILITIES</b>			
Trade and other payables	25	520,289	322,265
Derivative financial instruments	21	78,218	774
Bank loans — current portion	26	18,000	18,000
Current taxation		89,041	24,765
Amounts due to minority shareholders	32(ii)	4,913	25,082
		<b>710,461</b>	390,886
<b>NET CURRENT ASSETS</b>		<b>985,500</b>	700,111
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>13,725,414</b>	10,906,465

# Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loans — non-current portion	26	36,700	54,700
Loan from ultimate holding company	32(v)	—	10,477
Amount due to immediate holding company	32(vi)	512,868	—
Amount due to ultimate holding company	32(vii)	902,020	3,026,231
Amount received from property development	32(viii)	1,508,000	—
Deferred taxation	27	47,612	47,492
		<b>3,007,200</b>	3,138,900
<b>NET ASSETS</b>			
		<b>10,718,214</b>	7,767,565
<b>CAPITAL AND RESERVES</b>			
Share capital	28	443,897	431,643
Reserves		10,206,525	7,278,320
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
		<b>10,650,422</b>	7,709,963
<b>MINORITY INTERESTS</b>			
		<b>67,792</b>	57,602
<b>TOTAL EQUITY</b>			
		<b>10,718,214</b>	7,767,565

The financial statements were approved and authorised for issue by the board of directors on 17 March 2008.

**Or Wai Sheun**

*Director*

**Yeung Kwok Kwong**

*Director*

The notes on pages 35 to 80 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital	Share premium	Fair value reserve	Retained profits	Total		
		account					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	431,643	5,682,256	1,042,063	554,001	7,709,963	57,602	7,767,565
Gain on fair value changes of interests in property development and net income recognised directly in equity	—	—	2,523,891	—	2,523,891	—	2,523,891
Profit for the year	—	—	—	222,190	222,190	50,508	272,698
Total recognised income for the year	—	—	2,523,891	222,190	2,746,081	50,508	2,796,589
Proceeds from issue of ordinary shares under the exercise of subscription rights attached to warrants	12,254	230,380	—	—	242,634	—	242,634
Expenses for issue of warrants	—	(36)	—	—	(36)	—	(36)
Payment of dividends	—	—	—	(48,220)	(48,220)	(40,318)	(88,538)
At 31 December 2007	443,897	5,912,600	3,565,954	727,971	10,650,422	67,792	10,718,214



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company					Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2006	126,685	398,021	—	570,387	1,095,093	52,452	1,147,545
Gain on fair value changes of interests in property development and net income recognised directly in equity	—	—	1,042,063	—	1,042,063	—	1,042,063
Profit for the year	—	—	—	29,792	29,792	18,366	48,158
Total recognised income for the year	—	—	1,042,063	29,792	1,071,855	18,366	1,090,221
Proceeds from issue of ordinary shares under share placement	281,141	5,285,455	—	—	5,566,596	—	5,566,596
Expenses for issue of ordinary shares under share placement	—	(44,044)	—	—	(44,044)	—	(44,044)
Proceeds from issue of ordinary shares under the exercise of subscription rights attached to warrants	1	13	—	—	14	—	14
Expenses for issue of warrants	—	(38)	—	—	(38)	—	(38)
Paid up and conversion into ordinary shares of convertible preference shares	23,816	42,849	—	—	66,665	—	66,665
Payment of dividends	—	—	—	(46,178)	(46,178)	(13,216)	(59,394)
At 31 December 2006	431,643	5,682,256	1,042,063	554,001	7,709,963	57,602	7,767,565

The notes on pages 35 to 80 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2007

Note	2007 HK\$'000	2006 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>337,756</b>	65,072
Adjustments for:		
Share of results of jointly controlled entities	<b>(14,772)</b>	(4,433)
Dividend income from listed securities	<b>(4,224)</b>	(2,897)
Interest income	<b>(21,471)</b>	(5,135)
Gain arising from a change in fair value of held for trading investments	<b>(42,730)</b>	(40,554)
Loss/(gain) arising from a change in fair value of derivative financial instruments, net	<b>68,204</b>	(3,142)
Depreciation	<b>2,473</b>	2,123
Amortisation of prepaid lease payments	<b>2,820</b>	2,820
Finance costs	<b>104,073</b>	81,188
Operating cash flow before working capital changes	<b>432,129</b>	95,042
Increase in amount due from a jointly controlled entity	<b>(100)</b>	(240)
Increase in held for trading investments	<b>(236,755)</b>	(152,307)
Decrease in held-to-maturity debt security	<b>—</b>	7,749
Decrease/(increase) in inventories	<b>7,714</b>	(33,815)
Increase in trade and other receivables	<b>(5,952)</b>	(10,557)
Increase in margin deposits	<b>(225,452)</b>	(65,994)
Increase in trade and other payables	<b>202,447</b>	282,282
Cash generated from operations	<b>174,031</b>	122,160
Interest received	<b>21,471</b>	5,135
Interest paid	<b>(3,351)</b>	(5,490)
Dividends received from listed securities	<b>4,224</b>	2,897
Tax paid	<b>(1,048)</b>	(1,805)
Tax refunded	<b>—</b>	624
Net cash generated from operating activities	<b>195,327</b>	123,521
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(190)</b>	(3,329)
Acquisition of a subsidiary	<b>(3,978)</b>	(3,295,510)
Advances to jointly controlled entities	<b>(10,229)</b>	(9,184)
Repayment of advances to jointly controlled entities	<b>17,000</b>	—
Net cash generated from/(used in) investing activities	<b>2,603</b>	(3,308,023)

# Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of capital for cash, net of related expenses	31(b)(ii)	242,598	3,395,153
Loans advanced from intermediate holding company		—	233,000
Repayments of loans from intermediate holding company		—	(233,000)
Amounts advanced from immediate holding company		1,526,100	—
Repayments of amount due to immediate holding company	31(b)(i)	(892,000)	—
Loans advanced from ultimate holding company		—	146,000
Repayments of loan from ultimate holding company		(10,477)	(136,321)
Repayments of amount due to ultimate holding company	31(b)(i)	(842,000)	—
Repayments of bank loans		(18,000)	(15,050)
Amounts advanced from minority shareholders		—	9,125
Repayments of amount due to minority shareholders		(59,638)	(29,986)
Dividend paid to equity holders of the Company		(48,220)	(46,178)
Net cash (used in)/generated from financing activities		(101,637)	3,322,743
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		96,293	138,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		213,955	75,714
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
		310,248	213,955

The notes on pages 35 to 80 form part of these financial statements.

# Notes to Financial Statements

31 December 2007

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION

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

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 35.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs has not resulted in any significant impact on the Group's operations results for the year and financial position as at 31 December 2007. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

# Notes to Financial Statements

31 December 2007

## 2. BASIS OF PREPARATION (continued)

As a result of the adoption HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosures and presentation. These disclosures are provided throughout these financial statements, in particular in note 36.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 28.

The Group has not early adopted the following new or revised HKFRSs, which are not yet effective, in the financial statements for the year ended 31 December 2007. The Group anticipates that the application of these HKFRSs will have no material impact on the Group's financial statements, excepted that HKFRS 8, Operating Segments, may result in new or amended disclosures in the financial statements.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) — Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) — Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

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

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

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

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

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

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

A separate set of financial statements at the Company's level for the year ended 31 December 2007, which have been prepared in accordance with HKFRSs, are available in due course at the Company's principal place of business as disclosed in page 2 of the annual report.

# Notes to Financial Statements

31 December 2007

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

### Goodwill

Goodwill is stated at cost less accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. Such goodwill was capitalized and amortised on a straight-line basis over its useful economic life at a rate of 5% per annum up to 31 December 2004. The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

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

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

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

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

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

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

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

### Leasing

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

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

### Investment properties

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



# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Joint ventures

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

#### *Jointly controlled assets*

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

#### *Jointly controlled entities*

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

### Interests in property development

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

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

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

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

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

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

#### *Loans and receivables*

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

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

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors and significant changes in technological, market, economic or legal environment that have an adverse effect on the debtors. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

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

For available-for-sale debt financial assets, reversal of an impairment loss is recognised in the income statement.

#### *Financial liabilities and equity*

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

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Equity instruments*

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

#### *Other financial liabilities*

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

#### *Derivatives*

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

### Inventories

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

### Cash and cash equivalents

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

### Borrowing costs

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

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

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

### Income tax

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

Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liabilities is settled or the asset is realised based on tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in the income statement except when it relates to items recognised directly in equity, in which case the deferred tax is also recognised in equity.

# Notes to Financial Statements

31 December 2007

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

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

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

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

### **Foreign currencies**

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

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

### **Related parties**

For the purposes of these financial statements, a party is considered to be related to the Group if the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions or has joint control over the Group; the Group and the party are subject to common control; the party is an associated company of the Group or a joint venture in which the Group is a venturer. Related parties may be individuals or other entities.

# Notes to Financial Statements

31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

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

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

# Notes to Financial Statements

31 December 2007

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

### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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

### Retirement benefit costs

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

## 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. The Group had three business segments for the year which included properties investment, trading and development related activities ("Properties"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and financial investment and other miscellaneous activities ("Investments and others"). As over 90% of the Group's revenue, results, assets and liabilities were derived from operations in the People's Republic of China, including Hong Kong and Macau, further segment information has not been disclosed in respect of the Group's geographical segments.



# Notes to Financial Statements

31 December 2007

## 4. SEGMENT INFORMATION (continued)

### Business segments

	For the year ended 31 December 2007			
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	Consolidated HK\$'000
Turnover	134,069	48,319	2,868,380	3,050,768
Segment result	92,185	13,495	330,189	435,869
Unallocated group expenses				(8,812)
Profit from operations				427,057
Share of results of jointly controlled entities	14,772	—	—	14,772
Finance costs				(104,073)
Profit before tax				337,756
Income tax expenses				(65,058)
Profit for the year				272,698
Depreciation and amortisation	3	5,267	—	5,293
Capital expenditure incurred	23	143	—	190
Loss arising from a change in fair value of derivative financial instruments, net	—	—	68,204	68,204
Gain arising from a change in fair value of held for trading investments	—	—	42,730	42,730

  

	At 31 December 2007			
	Properties HK\$'000	Ice and Cold Storage HK\$'000	Investments and Others HK\$'000	Consolidated HK\$'000
Segment assets	12,500,257	170,184	824,106	13,494,547
Interests in and amounts due from jointly controlled entities	630,142	—	—	630,142
Unallocated group assets				311,186
				14,435,875
Segment liabilities	1,954,718	2,956	145,612	2,103,286
Unallocated group liabilities				1,614,375
				3,717,661



# Notes to Financial Statements

31 December 2007

## 5. TURNOVER AND OTHER OPERATING INCOME

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Turnover</b>		
Sale of goods	29,240	28,862
Sale of properties	134,069	158,991
Service income	19,079	18,716
Proceeds from sale of trading securities	2,868,380	354,262
	<b>3,050,768</b>	560,831
<b>Other operating income</b>		
Rental income from properties held for sale	6,556	8,108
Dividend income from listed securities	4,224	2,897
Consultancy service fee income	100	240
Interest income from held-to-maturity debt security	—	51
Bank and other interest income	21,471	5,084
Gain arising from a change in fair value of held for trading investments	42,730	40,554
Gain arising from a change in fair value of derivative financial instruments, net	—	3,142
Others	1,349	960
	<b>76,430</b>	61,036

# Notes to Financial Statements

31 December 2007

## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	<b>12,919</b>	12,404
Contributions to retirement benefit scheme	<b>526</b>	521
	<b>13,445</b>	12,925
Depreciation of property, plant and equipment	<b>2,473</b>	2,123
Amortisation of prepaid lease payments	<b>2,820</b>	2,820
Minimum lease payments under operating leases in respect of land and buildings	<b>1,337</b>	1,302
Auditors' remuneration	<b>866</b>	790
Cost of inventories recognised as expenses	<b>37,985</b>	108,890
Exchange loss	<b>25</b>	85
Direct operating expenses arising from investment properties that did not generate rental income	<b>425</b>	338
Loss arising from a change in fair value of derivative financial instruments, net	<b>68,204</b>	—
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	<b>3,737</b>	1,886

# Notes to Financial Statements

31 December 2007

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

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

Year ended 31 December 2007

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance bonuses <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,672	680	163	2,515
Ms. Wong Yuk Ching	—	742	200	67	1,009
Mr. Lam Chi Chung, Tommy	—	1,428	480	12	1,920
Ms. Chio Koc Ieng	—	952	460	—	1,412
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	480	4,794	1,820	242	7,336

# Notes to Financial Statements

31 December 2007

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

### Year ended 31 December 2006

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance bonuses <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,800	336	153	2,289
Ms. Wong Yuk Ching	120	—	—	—	120
Mr. Lam Chi Chung, Tommy	—	1,335	420	12	1,767
Ms. Chio Koc Ieng	—	670	400	—	1,070
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	600	3,805	1,156	165	5,726

The five highest paid individuals during the year ended 31 December 2007 included four (2006: three) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2006: two) non-director highest paid individual are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Salaries and other benefits	773	1,339
Performance bonuses	280	320
Provident fund contributions	12	24
	<b>1,065</b>	1,683

The remuneration of each of the remaining two non-director highest paid individuals fell within the nil — HK\$1,000,000 band for the year ended 31 December 2006.

# Notes to Financial Statements

31 December 2007

## 8. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest expense on:		
Bank and other borrowings wholly repayable within five years	3,008	3,743
Advance from a minority shareholder with no fixed repayment terms	715	803
Amount due to immediate holding company with no fixed repayment terms	38,768	—
Loan from ultimate holding company with no fixed repayment terms	343	798
Amount due to an intermediate holding company with no fixed repayment terms	—	1,747
Amount due to ultimate holding company with no fixed repayment terms	61,239	74,097
	<b>104,073</b>	<b>81,188</b>

## 9. INCOME TAX EXPENSES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	54,360	13,808
— Overseas income tax	11,439	3,219
	<b>65,799</b>	<b>17,027</b>
Deferred tax	<b>(741)</b>	<b>(113)</b>
	<b>65,058</b>	<b>16,914</b>

Hong Kong Profits Tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

# Notes to Financial Statements

31 December 2007

## 9. INCOME TAX EXPENSES (continued)

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before tax	<b>337,756</b>	65,072
Tax charges at the average income tax rate	<b>65,847</b>	19,241
Tax effect of share of results of jointly controlled entities	<b>(3,737)</b>	(1,886)
Tax effect of expenses not deductible in determining taxable profit	<b>6,961</b>	466
Tax effect of income not taxable in determining taxable profit	<b>(4,121)</b>	(1,029)
Utilisation of tax losses previously not recognized	<b>(134)</b>	(163)
Others	<b>242</b>	285
Income tax expense for the year	<b>65,058</b>	16,914

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

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

The profit attributable to equity holders of the Company for the year ended 31 December 2007 dealt with in the financial statements of the Company was HK\$131,797,000 (2006: HK\$112,000).



# Notes to Financial Statements

31 December 2007

## 11. EARNINGS PER SHARE

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>222,190</b>	29,792
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>4,390,342,304</b>	2,867,286,349
Effect of dilutive potential ordinary shares:		
— Convertible preference shares	—	148,532,342
— Warrants	<b>10,827,678</b>	7,439,922
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>4,401,169,982</b>	3,023,258,613

## 12. DIVIDENDS

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.006 per ordinary share (2006: HK\$0.005)	<b>26,634</b>	21,582
Final dividend proposed after the balance sheet date of HK\$0.012 per ordinary share (2006: HK\$0.005)	<b>53,268</b>	21,582
	<b>79,902</b>	43,164

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

# Notes to Financial Statements

31 December 2007

## 12. DIVIDENDS (continued)

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

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.005 per ordinary share (2006: HK\$0.02)	<b>21,586</b>	24,596

## 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:					
At 1 January 2006	32,790	4,853	1,515	504	39,662
Additions	—	3,166	88	75	3,329
At 31 December 2006 and 1 January 2007	32,790	8,019	1,603	579	42,991
Additions	—	—	63	127	190
At 31 December 2007	32,790	8,019	1,666	706	43,181
Accumulated depreciation:					
At 1 January 2006	865	578	371	93	1,907
Charge for the year	769	964	287	103	2,123
At 31 December 2006 and 1 January 2007	1,634	1,542	658	196	4,030
Charge for the year	770	1,279	287	137	2,473
At 31 December 2007	2,404	2,821	945	333	6,503
Carrying values:					
At 31 December 2007	30,386	5,198	721	373	36,678
At 31 December 2006	31,156	6,477	945	383	38,961

# Notes to Financial Statements

31 December 2007

## 14. PREPAID LEASE PAYMENTS

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Prepaid lease payments in medium-term leasehold land in Hong Kong:		
— Included in current asset	<b>2,820</b>	2,820
— Included in non-current asset	<b>108,577</b>	111,397
	<b>111,397</b>	114,217

## 15. INVESTMENT PROPERTIES

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Fair value		
At beginning and end of the year	<b>150,000</b>	150,000

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

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

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited has among its staff members of the Hong Kong Institute of Surveyors and has appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to The Valuation Standards on Properties of Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

# Notes to Financial Statements

31 December 2007

## 16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Investment cost	<b>12</b>	12
Share of post acquisition profit	<b>413,699</b>	398,927
Share of net assets	<b>413,711</b>	398,939

Particulars of the jointly controlled entity at 31 December 2007 are as follows:

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

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

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

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Income	<b>66,516</b>	41,519
Expenses	<b>36,972</b>	23,397
Profit for the year	<b>29,544</b>	8,854
Non-current assets	<b>1,433,304</b>	1,432,646
Current assets	<b>11,444</b>	44,462
Current liabilities	<b>(460,072)</b>	(513,534)
Non-current liabilities	<b>(157,254)</b>	(165,760)
Net assets	<b>827,422</b>	797,814

As at 31 December 2006, the Group had two jointly controlled entities, namely, South Bay Centre Company Limited and Eastford Development Limited. Eastford Development Limited has become a subsidiary of the Company from 6 June 2007.

# Notes to Financial Statements

31 December 2007

## 17. INTERESTS IN PROPERTY DEVELOPMENT

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

## 18. GOODWILL

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. During the year ended 31 December 2007, management of the Group determines that there are no impairments of the CGU containing goodwill.

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

## 19. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest-free and repayable within one year. The carrying values approximate their fair values at 31 December 2007.

## 20. HELD FOR TRADING INVESTMENTS

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Equity securities held for trading listed in Hong Kong	<b>518,847</b>	239,362

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

# Notes to Financial Statements

31 December 2007

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	2007		2006	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Over-the-counter contingent forward transactions	13,813	78,218	4,573	774

As at the balance sheet date, the Group has certain forward agreements to purchase certain listed equity securities at a fixed price over a 52-weeks period from the date of the agreements remaining outstanding. According to the agreements, the purchase commitments of the Group will be terminated when the market prices of the equity securities rises to a pre-determined price level. As at the balance sheet date, the aggregated maximum purchase commitments of the Group under the agreements were HK\$3,615,054,000 (2006: HK\$783,250,000) of which HK\$925,260,000 (2006: HK\$598,874,000) is not crystallised up to the date of approval of these financial statements. The market price of the underlying equity securities for some of the agreements has reached the pre-determined price level and some of the agreements are terminated subsequently after the balance sheet date.

## 22. INVENTORIES

	2007 HK\$'000	2006 HK\$'000
Properties held for sale	44,980	82,824
Properties under development for sale (Note)	266,647	199,259
	<b>311,627</b>	282,083

Note: During the year ended 31 December 2005, the Group has entered into a joint venture agreement in the form of a jointly controlled asset to construct certain low-rise houses in Hong Kong. At 31 December 2007, the aggregate amount of assets recognised in the financial statements in relation to interests in jointly controlled assets is HK\$16,216,000 (2006: HK\$14,841,000).

# Notes to Financial Statements

31 December 2007

## 23. TRADE AND OTHER RECEIVABLES

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	<b>2,369</b>	1,977
31 days to 60 days past due	<b>1,312</b>	1,675
61 days to 90 days past due	<b>207</b>	60
Over 90 days past due	<b>184</b>	—
Amounts past due	<b>1,703</b>	1,735
Trade receivables	<b>4,072</b>	3,712
Other receivables	<b>26,657</b>	21,407
	<b>30,729</b>	25,119

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

Trade and other receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

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

The fair value of the Group's trade and other receivables at 31 December 2007 was approximate to the corresponding carrying amount.

## 24. CASH AND CASH EQUIVALENTS

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

# Notes to Financial Statements

31 December 2007

## 25. TRADE AND OTHER PAYABLES

	2007 HK\$'000	2006 HK\$'000
Ageing analysis of trade payables:		
Within 30 days	6,504	—
31 days to 60 days	709	—
61 days to 90 days	926	—
Over 90 days	658	—
Trade payables	8,797	—
Deposits received from sale of properties	419,634	276,646
Other payables	91,858	45,619
	<b>520,289</b>	322,265

At as 31 December 2006, the Group's deposits received from sale of properties of HK\$276,346,000 were expected to be settled after more than one year.

The fair value of the Group's trade and other payables at 31 December 2007 was approximate to the corresponding carrying amount.

## 26. BANK LOANS

The secured bank loans were repayable within 5 years from the date of the inception of the loans by monthly instalments and bearing interest as determined by a premium over the Hong Kong Interbank Offering Rates, which is equal to the effective interest rate, as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	18,000	18,000
In the second year	36,700	18,000
In the third to fifth years inclusive	—	36,700
	<b>54,700</b>	72,700
Less: Amounts repayable within one year shown under current liabilities	<b>(18,000)</b>	(18,000)
Amount due after one year	<b>36,700</b>	54,700

The fair value of the Group's bank loans as at 31 December 2007 was approximate to the corresponding carrying amount.



# Notes to Financial Statements

31 December 2007

## 27. DEFERRED TAXATION

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

	<b>Accelerated depreciation allowances</b>	<b>Revaluation of assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2006	3,460	44,145	47,605
Charge/(credit) to income statement	162	(275)	(113)
At 31 December 2006 and 1 January 2007	3,622	43,870	47,492
Acquisition of a subsidiary	—	861	861
Credit to income statement	(441)	(300)	(741)
At 31 December 2007	3,181	44,431	47,612

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK\$9,895,000 available for offset against future profits which may be carried forward indefinitely. As at 31 December 2006, the Group had unrecognised tax losses of HK\$10,275,000 available for offset against future profits of which HK\$39,000 would be expired in 2008, HK\$363,000 would be expired in 2009 and HK\$338,000 would be expired in 2010 and the remaining losses may be carried forward indefinitely.

## 28. SHARE CAPITAL

	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.1 each	<b>1,000,000</b>	1,000,000
5,000,000,000 convertible preference shares of HK\$0.01 each	<b>50,000</b>	50,000
	<b>1,050,000</b>	1,050,000
<i>Issued:</i>		
4,438,967,838 (2006: 4,316,425,295) fully paid ordinary shares of HK\$0.1 each	<b>443,897</b>	431,643

# Notes to Financial Statements

31 December 2007

## 28. SHARE CAPITAL (continued)

### (a) Issue of capital

In June 2006, the Company has issued 2,811,411,970 ordinary shares ("Share(s)") of HK\$0.1 each of the Company at a subscription price of HK\$1.98 per Share ("PAH Subscription") by private arrangement. The proceeds from the subscription of HK\$5,566,596,000, before related expenses, was received by the Company.

On 15 August 2006, the Immediate Holding Company, which is also the holder of all convertible preference shares of HK\$0.01 each ("CPS") of the Company in issue, contributed HK\$66,665,000 to the Company to pay up 3,703,590,076 10% partly paid CPS in full. On the same day, the Immediate Holding Company exercised the conversion right of CPS to convert 3,703,590,076 fully paid CPS into 275,191,901 fully paid Shares.

During the period from 19 June 2006 to 31 December 2006, the Company has issued 6,940 Shares pursuant to the exercise of subscription rights attached to the warrants issued by the Company as mentioned in note 29.

During the period from 1 January 2007 to 18 June 2007, the Company has issued 122,542,543 Shares pursuant to the exercise of subscription rights attached to the warrants issued by the Company as mentioned in note 29.

### (b) CPS

In 2001, 4,000,000,000 CPS were issued partly paid as to 10% of the subscription price of HK\$0.02 per share pursuant to the subscription agreement entered into with the Immediate Holding Company and were subscribed by the Immediate Holding Company. There was no time restriction for the unpaid amount of HK\$72,000,000 of the CPS to be fully paid up. The Company had no right to make calls with respect to amounts unpaid on any partly paid CPS. The holder might convert fully paid CPS into new ordinary shares of the Company during the period commenced on 14 September 2001 and ended on the date five years thereafter, inclusive, at any time at the rate of one ordinary share of HK\$0.01 each for every one fully paid CPS (subject to adjustment).

During the period from 1 December 2003 to 31 December 2004, the Company consolidated every 20 ordinary shares in issue into one ordinary share in issue and effected a rights issue which constituted events giving rise to adjustments to the conversion rate of the outstanding CPS. Accordingly, the conversion rate of the outstanding CPS was adjusted to 14.771 fully paid CPS for one Share.

# Notes to Financial Statements

31 December 2007

## 28. SHARE CAPITAL *(continued)*

### (b) CPS *(continued)*

During the year ended 31 December 2006, the PAH Subscription constituted events giving rise to adjustments to the conversion rate of the outstanding CPS. Accordingly, the conversion rate of the outstanding CPS was further adjusted to 13.4582 fully paid CPS for one Share.

During the period commenced on 14 September 2001 and ended on the date five years thereafter, inclusive, at any time, the holder of the CPS, whether partly paid or fully paid, might require the Company to redeem, to the extent that conversion had not been elected by the holder of the CPS, the outstanding CPS for the amount paid up. The holder of the CPS waived its redemption right attached to the CPS. The Company did not have the right to redeem the CPS.

If the CPS were still in issue after five years commenced on 14 September 2001, the holders of the CPS would automatically forfeit all of their redemption/conversion rights under the CPS and the CPS would become preference shares without carrying any conversion or redemption features thereafter. Any paid-up capital of the CPS would continue to be retained in the accounts of the Company. Any CPS which had been fully paid up would rank *pari passu* for dividends with the ordinary shares from time to time in issue. Partly paid CPS were not entitled to any dividends.

The holders of the CPS were entitled to receive notices of general meetings, but not to attend or vote.

### (c) Share premium

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

# Notes to Financial Statements

31 December 2007

## 28. SHARE CAPITAL (continued)

A summary of the movements in issued capital of the Company is as follows:

### (i) Shares

	Number of Shares	Amount HK\$'000
At 1 January 2006	1,229,814,484	122,982
PAH Subscription	2,811,411,970	281,141
Conversion of CPS	275,191,901	27,519
Exercise of subscription rights attached to warrants	6,940	1
At 31 December 2006 and 1 January 2007	4,316,425,295	431,643
Exercise of subscription rights attached to warrants	122,542,543	12,254
At 31 December 2007	4,438,967,838	443,897

### (ii) CPS

	Number of CPS partly paid	Number of CPS fully paid	Amount HK\$'000
At 1 January 2006	3,703,590,076	—	3,703
Fully paid up of the CPS	(3,703,590,076)	3,703,590,076	33,332
Conversion into Shares	—	(3,703,590,076)	(37,035)
At 31 December 2006 and 31 December 2007	—	—	—

### Capital management

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

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

# Notes to Financial Statements

31 December 2007

## 29. WARRANTS

During the year ended 31 December 2006, the Company had a bonus issue of 122,981,448 units of warrants in the Company to the holders of Shares of the Company whose names appeared on the register of members of the Company on 12 June 2006 on the basis of one unit of warrants for every ten Shares then held by such shareholders. Each unit of warrants entitles the holders thereof to subscribe in cash for one new Share at HK\$1.98 per Share (subject to adjustment). The warrants were exercisable at any time between 19 June 2006 and 18 June 2007, both days inclusive.

A summary of the movements in warrants issued by the Company is as follows:

	2007	2006
Number of warrants:		
Outstanding at the beginning of the year	122,974,508	—
Issued during the year	—	122,981,448
Exercised during the year	(122,542,543)	(6,940)
Expired upon the end of the subscription period	(431,965)	—
Outstanding at the end of the year	—	122,974,508

## 30. SHARE OPTIONS

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

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

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

# Notes to Financial Statements

31 December 2007

## 30. SHARE OPTIONS *(continued)*

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

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

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

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

There was no share option granted under the share option scheme during the current and prior periods or remain outstanding as at 31 December 2007.

# Notes to Financial Statements

31 December 2007

## 31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of a subsidiary

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net assets acquired:		
Interests in property development	—	8,448,000
Inventories	37,258	—
Trade and other receivables	1,222	—
Cash and cash equivalents	11	—
Trade and other payables	(127)	—
Deferred taxation	(861)	—
Amount due to the Group	(33,514)	—
	<b>3,989</b>	8,448,000
Satisfied by:		
Cash and cash equivalents	3,989	3,295,510
Amount due to ultimate holding company	—	5,152,490
	<b>3,989</b>	8,448,000

The subsidiary acquired during the year did not have any significant turnover and profit for the year. If the acquisition had occurred on 1 January 2007, the subsidiary's turnover and profit contributed to the Group would not be significantly different to that reported above.

### (b) Major Non-cash Transactions

- (i) During the year ended 31 December 2007, the amount received from property development of HK\$1,508,000,000 were obtained by offsetting the amount due to ultimate holding company of HK\$1,348,000,000 and amount due to immediate holding company of HK\$160,000,000.
- (ii) During the year ended 31 December 2006, 1,108,101,010 Shares were issued and allotted to the Immediate Holding Company to set-off against the amount due to ultimate holding company of HK\$2,194,040,000.

# Notes to Financial Statements

31 December 2007

## 32. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2006 and 2007, the Group had the following transactions with related parties:

- (i) During the year, the Group received consultancy service fee income of HK\$100,000 (2006: HK\$240,000) from a jointly controlled entity. The consultancy service fee income was charged on a monthly basis of HK\$20,000 as agreed by both parties.
- (ii) As at 31 December 2007, the amounts due to minority shareholders of subsidiaries were unsecured and with no fixed repayment terms and bearing interest at prevailing market rate. During the year, interest of HK\$715,000 (2006: HK\$803,000) was payable to such minority shareholders.

As at 31 December 2006, the amounts due to minority shareholders of subsidiaries were unsecured and with no fixed repayment terms, of which HK\$18,700,000 was bearing interest at prevailing market rate and HK\$6,382,000 was interest free.

- (iii) During the year, the Group paid rental expenses and building management fees amounting to HK\$899,000 (2006: HK\$924,000) in aggregate to an intermediate holding company for the leasing of an administrative office in Hong Kong.
- (iv) As at 31 December 2007, a director of the Company granted a guarantee to a bank to secure the liabilities of the Group to the extent of HK\$42,718,000 (2006: HK\$42,718,000).
- (v) The loan from ultimate holding company was unsecured, interest bearing at prevailing market rate and fully repaid in 2007. During the year, interest of HK\$343,000 (2006: HK\$798,000) was payable to the Ultimate Holding Company.
- (vi) The amount due to immediate holding company was unsecured, interest bearing at prevailing market rate and with no fixed repayment terms. During the year, interest of HK\$38,768,000 (2006: Nil) was payable to the Immediate Holding Company.



# Notes to Financial Statements

31 December 2007

## 32. RELATED PARTY TRANSACTIONS (continued)

- (vii) During the year ended 31 December 2006, the Group entered into a sale and purchase agreement (the "Agreement") with the Ultimate Holding Company for the acquisition of the entire interests in New Bedford Properties Limited in turn to acquire 80% interest in three property projects located at Lotes P, V, T and T1, The Orient Pearl District, Novos Aterros da Areia Preta, Macau for the consideration of HK\$8,448,000,000. Pursuant to the Agreement, a deposit of HK\$200 million was paid by the Group upon the signing of the Agreement and the Group may, at the Group's discretion, settle the outstanding balance (i) at completion of the Agreement (the "Completion") or (ii) within one year from the Completion. The Group has the right to extend the time for the settlement of the outstanding balance to within three years from the Completion. In case where the Company is unable to raise sufficient funds to finance the acquisition within three years from the Completion, the Group has the right to further extend the settlement of the outstanding balance for an unlimited period until such time the liquidity position of the Company permits the settlement. The completion took place on 15 June 2006. The amount due to ultimate holding company was unsecured and bearing interest at the prevailing market rate. During the year, interest of HK\$61,239,000 (2006: HK\$74,097,000) was payable to the Ultimate Holding Company. Outstanding balance due to the Ultimate Holding Company for the acquisition together with accrued interest was HK\$902,020,000 as at 31 December 2007 (2006: HK\$3,026,231,000).
- (viii) Amount received from property development, which is unsecured, interest free and with no fixed repayment terms, represents the advances received from a subsidiary of the Ultimate Holding Company in respect of the Group's interest in the property development in Macau as mentioned in note 17.
- (ix) During the year ended 31 December 2006, interest of HK\$1,747,000 was paid to an intermediate holding company.
- (x) During the year ended 31 December 2006, a company controlled by a director of the Company acted as an arranger for the subscription of 583,311,867 Shares under the PAH Subscription and received an arranger's fee of HK\$20,212,000, being 1.75% of the gross proceeds received from the issue of 583,311,867 Shares.
- (xi) During the year ended 31 December 2006, the Company entered into a subscription agreement with an intermediate holding company of the Company, for the subscription of 1,598,000,000 Shares at a subscription price of HK\$1.98 each, totalling HK\$3,164,040,000, by the Immediate Holding Company.
- (xii) During the year ended 31 December 2006, the Company had a bonus issue of 122,981,448 units of warrants of which 69,897,537 units of warrants were issued to the Immediate Holding Company. Details of the bonus issue is set out in note 29.

# Notes to Financial Statements

31 December 2007

## 33. OPERATING LEASE ARRANGEMENTS

### As Lessee

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

As at 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Within one year	<b>122</b>	735
In the second to fifth years inclusive	<b>—</b>	122
	<b>122</b>	857

### As Lessor

The Group leases certain of its inventories under operating lease arrangements with lease terms for less than three years. As at 31 December 2007, total future minimum lease receivables under non-cancellable operating leases are as follows:

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Within one year	<b>2,348</b>	4,299
In the second to fifth years inclusive	<b>28</b>	583
	<b>2,376</b>	4,882

# Notes to Financial Statements

31 December 2007

## 34. PLEDGE OF ASSETS

As at 31 December 2007, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charge over all of the Group's medium term leasehold land with an aggregate net book value of HK\$111,397,000 (2006: HK\$114,217,000);
- (b) legal charge over all of the Group's buildings with an aggregate net book value of HK\$30,386,000 (2006: HK\$31,156,000);
- (c) floating charge over all short term investments of the Group of HK\$518,847,000 (2006: HK\$239,362,000);
- (d) floating charge over all interest in derivative financial instruments of the Group of HK\$13,813,000 (2006: HK\$4,573,000);
- (e) floating charge over certain receivables of the Group of HK\$4,642,000 (2006: HK\$10,324,000);
- (f) floating charge over all of the Group's margin deposits of HK\$291,446,000 (2006: HK\$65,994,000); and
- (g) floating charge over certain cash and cash equivalents of the Group of HK\$251,767,000 (2006: HK\$145,870,000).

# Notes to Financial Statements

31 December 2007

## 35. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### **Depreciation and amortisation**

The Group depreciates the plant and equipment on a straight line basis over the estimated useful life of 4 to 10 years, and after taking into account of their estimated residual value, using the straight-line method commencing from the date the plant and equipment is placed into intended use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the management's estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

### **Estimated impairment of goodwill**

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

### **Interests in property development**

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

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

Over-the-counter contingent forward transactions are classified as derivative financial instruments and are stated at fair value at the balance sheet date. The Group adopts the valuation of over-the-counter contingent forward transactions as valued by professional valuers with appropriate experience in the valuation of similar transactions, and with reference to market value quotations from financial institutions.

# Notes to Financial Statements

31 December 2007

## 36. FINANCIAL RISK MANAGEMENT

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

### Interest rate risk

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

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

If interest rates had been increased/decreased by 100 basis points, with all other variables held constant, the Group's profit attributable to the equity holders of the Company and retained profits would decrease/increase by HK\$14,600,000 (2006: HK\$30,949,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rate is used when reporting interest rate risk. The analysis is performed on the same basis for 2006.

### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's credit risk is significantly reduced.

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

# Notes to Financial Statements

31 December 2007

## 36. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

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

### Price risk

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

At 31 December 2007, it is estimated that an increase/decrease of 5% in market value of the Group's held-for-trading investments, with all other variables held constant, the Group's profit attributable to the equity holders of the Company and retained profits would increase/decrease by HK\$19,883,000 (2006: HK\$9,278,000). The analysis is performed on the same basis for 2006.

At 31 December 2007, it is estimated that an increase/decrease of 5% in market value of the underlying securities of the derivative financial instruments, with all other variables held constant, the Group's profit attributable to the equity holders of the Company and retained profits would increase/decrease by HK\$11,937,000/HK\$72,126,000 respectively. No comparative sensitivity and retained profits analysis has been performed for 2006, as the Group's management considers there to be insufficient data available to provide an accurate analysis.

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

# Notes to Financial Statements

31 December 2007

## 37. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2007 are as follow:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Directly held:</i>				
City Power Services Limited	British Virgin Islands	US\$1	100%	Inactive
Newcott Limited	British Virgin Islands	US\$10,000	100%	Investment holding
Noble Prime International Limited	British Virgin Islands	US\$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US\$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US\$1	100%	Investment holding
<i>Indirectly held:</i>				
Acestart Investments Limited	British Virgin Islands/Macau	US\$1	70.5%	Property trading and investment
Century Leader Profits Limited	British Virgin Islands	US\$100	91%	Property trading and investment
Eastford Development Limited*	Hong Kong	HK\$100	100%	Property development and investment
Genius Star Investments Limited	British Virgin Islands/Macau	US\$1	100%	Financial investment

# Notes to Financial Statements

31 December 2007

## 37. PARTICULARS OF SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (continued)</i>				
Glentech International Company Limited	Hong Kong	HK\$2	100%	Provision of consultancy services
Hin Rich International Limited	British Virgin Islands/Macau	US\$1	58%	Financial investment
Imperial Profit Investment Limited	British Virgin Islands	US\$1	100%	Inactive
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development
Marvel Talent Corporation	British Virgin Islands	US\$200	70.5%	Inactive
New Bedford Properties Limited	British Virgin Islands	US\$1	100%	Investment holding
New Cosmos Holdings Limited	British Virgin Islands	US\$100	58%	Investment holding
Noble Gainer Limited	Hong Kong	HK\$2	100%	Inactive
Power Giant Limited	British Virgin Islands/Macau	US\$1	100%	Property trading and investment
Profit Sphere International Limited	British Virgin Islands	US\$1	100%	Investment holding



# Notes to Financial Statements

31 December 2007

## 37. PARTICULARS OF SUBSIDIARIES (continued)

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

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

\* *Eastford Development Limited was formerly a jointly controlled entity of the Company and became a subsidiary of the Company on 6 June 2007.*

# Particular of Properties

31 December 2007

Property	Purpose	Gross floor area/ site area	Group interest (%)	Stage of completion	Expected completion date
<i>Properties held for development for sale of the Group:</i>					
Pacifica Garden, Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau	Residential/ Commercial	35,900.00 square metres/ 5,207.70 square metres	58	Superstructure in progress	2008
Lots nos. 3753G, 3753H, 3753J, 3753K, 3753L, 3753M, 3753N, 3779C, 3779D, 3780B, 3781A, 3781B, 3781C, 3782A, and 3782RP in Demarcation District No. 124, Tuen Mun, New Territories Hong Kong	Residential	2,870.70 square metres/ 1,770.00 square metres	60	Superstructure completed	2008
Lots no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong	Residential	1,122.26 square metres/ 632.99 square metres	100	Superstructure completed	2008
Villa de Mer Lote V at The Orient Pearl District Novos Aterros da Areia Preta, Macau*	Residential/ Commercial	126,394.00 square metres/ 13,699.00 square metres	80	Foundation in progress	2009/2010
Lotes P and T & T1 at The Orient Pearl District Novos Aterros da Areia Preta, Macau*	Residential/ Commercial	851,957.00 square metres/ 85,970.00 square metres	80	Construction not yet commenced	From 2010 to 2013

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

# Particular of Properties

31 December 2007

Property	Purpose	Gross floor area	Group interest (%)	Stage of completion	Expected completion date
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*Properties held for sale of the Group:*

61 shop units, 3 office units and 155 carparking spaces in China Plaza at Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau	Commercial	4,392.14 square metres and 155 carparking spaces	70.5	Completed	N/A
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*Investment properties of the Group:*

38 shop units and 14 carparking spaces of Va long at Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259, Macau	Commercial	1,887.31 square metres and 14 carparking spaces	100	N/A	Medium term lease
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*Investment properties of the jointly controlled entity:*

208 shop units, 208 office units and 265 carparking spaces of The Macau Square, Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113, Macau	Commercial	36,553.05 square metres and 265 carparking spaces	50	N/A	Medium term lease
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