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## SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### RESULTS

The board of directors (the “Directors”) of Soundwill Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 with comparative figures for the previous year as follows:

#### Consolidated Statement of Comprehensive Income

|  | Notes | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Revenue/Turnover</b>  | 2     | <b>713,714</b>   | 338,991          |
| Cost of sales  |       | <b>(343,115)</b> | (72,100)         |
| <b>Gross profit</b>  |       | <b>370,599</b>   | 266,891          |
| Other income   | 4     | <b>6,865</b>     | 3,985            |
| Administrative expenses  |       | <b>(79,840)</b>  | (76,579)         |
| Other operating expenses   |       | <b>(18,084)</b>  | (16,293)         |
| Gain on disposal of subsidiaries   |       | <b>657</b>       | —                |
| Gain on disposal of associates   |       | <b>234</b>       | —                |
| Net gain/(loss) on fair value adjustments on investment properties   |       | <b>964,377</b>   | (135)            |
| Provision for impairment on properties held for development  |       | —                | (656)            |
| Write-down of properties held for sale to net realisable value   |       | —                | (1,143)          |
| Gain on disposal of investment properties  |       | —                | 33,601           |
| Gain on disposal of properties held for development  |       | <b>18,317</b>    | —                |
| Excess of interest in the net fair value of the identifiable assets of a subsidiary over cost of acquisition |       | —                | 13,269           |
| Provision for impairment of intangible assets  |       | —                | (6,717)          |
| <b>Profit from operations</b>  |       | <b>1,263,125</b> | 216,223          |
| Finance costs  | 5     | <b>(25,424)</b>  | (61,419)         |
| Share of profits less losses of:   |       |                  |                  |
| — associates   |       | <b>1,299</b>     | 13               |
| — a jointly-controlled entity  |       | <b>(212)</b>     | (31)             |
| <b>Profit before income tax</b>  | 6     | <b>1,238,788</b> | 154,786          |
| Income tax (expense)/credit  | 7     | <b>(185,375)</b> | 4,656            |
| <b>Profit for the year</b>   |       | <b>1,053,413</b> | 159,442          |

|  | <i>Notes</i> | <b>2009</b><br><b>HK\$'000</b> | 2008<br>HK\$'000       |
|--|--------------|--------------------------------|------------------------|
| <b>Other comprehensive income</b>  |              |                                |                        |
| Exchange gain on translation of financial statements of foreign operations                 |              | 97                             | 5,140                  |
| Surplus on revaluation of leasehold building, net of deferred tax                          |              | <u>4,045</u>                   | <u>4,138</u>           |
| <b>Other comprehensive income for the year</b>   |              | <u>4,142</u>                   | <u>9,278</u>           |
| <b>Total comprehensive income for the year</b>   |              | <u><u>1,057,555</u></u>        | <u><u>168,720</u></u>  |
| <b>Profit for the year attributable to:</b>  |              |                                |                        |
| Owners of the Company  |              | 1,058,583                      | 162,471                |
| Minority interests   |              | <u>(5,170)</u>                 | <u>(3,029)</u>         |
|  |              | <u><u>1,053,413</u></u>        | <u><u>159,442</u></u>  |
| <b>Total comprehensive income attributable to:</b>   |              |                                |                        |
| Owners of the Company  |              | 1,062,725                      | 171,749                |
| Minority interests   |              | <u>(5,170)</u>                 | <u>(3,029)</u>         |
|  |              | <u><u>1,057,555</u></u>        | <u><u>168,720</u></u>  |
| <b>Earnings per share for profit attributable to owners of the Company during the year</b> |              |                                |                        |
| Basic  | 8            | <u><u>HK\$4.42</u></u>         | <u><u>HK\$0.70</u></u> |
| Diluted  | 8            | <u><u>HK\$4.38</u></u>         | <u><u>HK\$0.68</u></u> |

## Consolidated Statement of Financial Position

|  | <i>Notes</i> | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>ASSETS AND LIABILITIES</b>                |              |                                |                         |
| <b>Non-current assets</b>                    |              |                                |                         |
| Investment properties                        |              | 7,143,620                      | 6,083,771               |
| Operating lease prepayment                   |              | 11,509                         | 11,523                  |
| Property, plant and equipment                |              | 42,922                         | 39,655                  |
| Properties held for development              |              | 52,845                         | 107,644                 |
| Interests in associates                      |              | —                              | 113                     |
| Interests in a jointly-controlled entity     |              | 43,402                         | 24,593                  |
| Available-for-sale financial assets          |              | 10                             | 11                      |
| Intangible assets                            |              | 6,772                          | 7,230                   |
| Goodwill                                     |              | —                              | —                       |
| Deposit for property development             |              | 10,511                         | 10,461                  |
|  |              | <u>7,311,591</u>               | <u>6,285,001</u>        |
| <b>Current assets</b>                        |              |                                |                         |
| Inventories                                  |              | 37,449                         | 32,708                  |
| Properties held for sale                     |              | 89,102                         | 279,480                 |
| Properties under development                 |              | 489,207                        | 278,616                 |
| Trade and other receivables                  | 9            | 70,760                         | 70,579                  |
| Available-for-sale financial assets          |              | 49,666                         | 19,687                  |
| Deposits paid for acquisition of properties  |              | 7,462                          | 19,046                  |
| Amount due from a minority shareholder       |              | —                              | 5,427                   |
| Bank deposit at escrow account               |              | —                              | 197,452                 |
| Cash and cash equivalents                    |              | 143,811                        | 131,470                 |
|  |              | <u>887,457</u>                 | <u>1,034,465</u>        |
| <b>Current liabilities</b>                   |              |                                |                         |
| Trade and other payables                     | 10           | 263,790                        | 292,202                 |
| Current portion of borrowings                |              | 399,464                        | 707,441                 |
| Provision for income tax                     |              | 15,491                         | 19,152                  |
|  |              | <u>678,745</u>                 | <u>1,018,795</u>        |
| <b>Net current assets</b>                    |              | <u>208,712</u>                 | <u>15,670</u>           |
| <b>Total assets less current liabilities</b> |              | <u>7,520,303</u>               | <u>6,300,671</u>        |
| <b>Non-current liabilities</b>               |              |                                |                         |
| Borrowings                                   |              | 1,704,269                      | 1,712,950               |
| Deferred tax liabilities                     |              | 872,267                        | 714,700                 |
|  |              | <u>2,576,536</u>               | <u>2,427,650</u>        |
| <b>Net assets</b>                            |              | <u><u>4,943,767</u></u>        | <u><u>3,873,021</u></u> |

|   | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| <b>EQUITY</b>                                       |                                |                         |
| <b>Equity attributable to owners of the Company</b> |                                |                         |
| Share capital                                       | <b>24,003</b>                  | 23,918                  |
| Reserves  | <b>4,863,176</b>               | 3,815,631               |
|   | <b>4,887,179</b>               | 3,839,549               |
| Minority interests                                  | <b>56,588</b>                  | 33,472                  |
| <b>Total equity</b>                                 | <b>4,943,767</b>               | 3,873,021               |

**Notes:**

**1. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). They have been prepared under the historical cost convention except for the revaluation of investment properties and leasehold building which are stated at fair values.

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

|  |  |
|--|--|
| HKAS 1 (Revised 2007)                        | Presentation of financial statements   |
| HKAS 23 (Revised 2007)                       | Borrowing costs  |
| HKAS 27 (Amendments)                         | Cost of an investment in a subsidiary, jointly controlled entity or an associate |
| HKFRS 2 (Amendments)                         | Share-based payment — vesting conditions and cancellations                       |
| HKFRS 7 (Amendments)                         | Improving disclosures about financial instruments                                |
| HKFRS 8                                      | Operating segments   |
| HK (IFRIC) — Int 15                          | Agreements for the construction of real estate                                   |
| Various — Annual improvements to HKFRSs 2008 |  |

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

## **HKAS 1 (Revised 2007) Presentation of financial statements**

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

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

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

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

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

## **HKFRS 7 (Amendments) Improving disclosures about financial instruments**

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

## **HKFRS 8 Operating segments**

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

## Annual improvements to HKFRSs 2008

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

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

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

- (ii) Investment properties under construction

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

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

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

### **HKFRS 3 Business combinations (Revised 2008)**

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

### **HKFRS 9 Financial instruments**

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

### **HKAS 27 Consolidated and separate financial statements (Revised 2008)**

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

### **Annual improvements 2009**

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

## 2. REVENUE/TURNOVER

An analysis of the Group's revenue is as follows:

|  | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Sales of properties                                  | 423,000                 | 85,000                  |
| Property rental income                               | 186,196                 | 163,470                 |
| Revenue from urban infrastructure construction works | 65,669                  | 47,406                  |
| Building management service income                   | 6,647                   | 5,599                   |
| Property repairs and maintenance service income      | 9,756                   | 9,833                   |
| Construction income                                  | —                       | 1,416                   |
| Signage rental                                       | 18,284                  | 20,366                  |
| Office facilities and service income                 | 4,162                   | 5,901                   |
|  | <u>713,714</u>          | <u>338,991</u>          |

## 3. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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



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

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

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

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

#### For the year ended 31 December 2009

|   | Property<br>assembly<br>business<br>HK\$'000 | Property<br>development<br>HK\$'000 | Property<br>leasing<br>HK\$'000 | Building<br>management<br>and other<br>services<br>HK\$'000 | Urban<br>infrastructure<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|-------------------------------------|---------------------------------|---|-------------------------------------|--------------------|-------------------|
| <b>Revenue</b>  |  |                                     |                                 |   |                                     |                    |                   |
| External customers                                      | 423,000                                      | —                                   | 208,642                         | 16,403  | 65,669                              | —                  | 713,714           |
| Inter-segments  | 76,397                                       | 34,901                              | 7,821                           | 983   | 4,174                               | 900                | 125,176           |
| Reportable segment revenue                              | <u>499,397</u>                               | <u>34,901</u>                       | <u>216,463</u>                  | <u>17,386</u>   | <u>69,843</u>                       | <u>900</u>         | <u>838,890</u>    |
| <b>Reportable segment profit/(loss)</b>                 | <u>125,457</u>                               | <u>(4,751)</u>                      | <u>158,276</u>                  | <u>7,997</u>  | <u>(8,053)</u>                      | <u>2,329</u>       | <u>281,255</u>    |
| Bank interest income                                    | 51   | 24                                  | 75                              | —   | 861                                 | 1                  | 1,012             |
| Depreciation  | —  | (187)                               | (2,433)                         | (4)   | (177)                               | (511)              | (3,312)           |
| Amortisation of intangible assets                       | —  | —                                   | —                               | —   | (515)                               | —                  | (515)             |
| Amortisation of properties held for development         | —  | (2,303)                             | —                               | —   | —                                   | —                  | (2,303)           |
| Provision for obsolete inventories                      | —  | —                                   | —                               | —   | (1,523)                             | —                  | (1,523)           |
| Amount due from a minority shareholder written off      | —  | (5,427)                             | —                               | —   | —                                   | —                  | (5,427)           |
| Provision for loss on litigation                        | —  | —                                   | —                               | —   | (5,032)                             | —                  | (5,032)           |
| <b>Reportable segment assets</b>                        | <u>81,948</u>                                | <u>604,031</u>                      | <u>7,226,545</u>                | <u>6,869</u>  | <u>174,849</u>                      | <u>11,728</u>      | <u>8,105,970</u>  |
| Additions to non-current segment assets during the year | —  | 6,349                               | 81,038                          | —   | 212                                 | 98                 | 87,697            |
| <b>Reportable segment liabilities</b>                   | <u>(29,603)</u>                              | <u>(104,350)</u>                    | <u>(62,993)</u>                 | <u>(13,261)</u>   | <u>(49,175)</u>                     | <u>(4,408)</u>     | <u>(263,790)</u>  |

## For the year ended 31 December 2008

|   | Property<br>assembly<br>business<br><i>HKS'000</i> | Property<br>development<br><i>HKS'000</i> | Property<br>leasing<br><i>HKS'000</i> | Building<br>management<br>and other<br>services<br><i>HKS'000</i> | Urban<br>infrastructure<br><i>HKS'000</i> | Others<br><i>HKS'000</i> | Total<br><i>HKS'000</i> |
|---|--|---|---------------------------------------|---|---|--------------------------|-------------------------|
| <b>Revenue</b>  |  |   |                                       |   |   |                          |                         |
| External customers  | 85,000   | 501                                       | 189,236                               | 15,432  | 47,406                                    | 1,416                    | 338,991                 |
| Inter-segments  | 6,000  | —   | 8,982                                 | 1,532   | —   | 979                      | 17,493                  |
| Reportable segment revenue  | <u>91,000</u>                                      | <u>501</u>                                | <u>198,218</u>                        | <u>16,964</u>   | <u>47,406</u>                             | <u>2,395</u>             | <u>356,484</u>          |
| <b>Reportable segment profit/(loss)</b>   | <u>29,412</u>                                      | <u>6,644</u>                              | <u>176,699</u>                        | <u>7,261</u>  | <u>(5,260)</u>                            | <u>(3,855)</u>           | <u>210,901</u>          |
| Bank interest income  | 1,017  | 14  | 263                                   | 3   | 277                                       | 1                        | 1,575                   |
| Excess of interest in the net fair value of the identifiable<br>assets of a subsidiary over cost of acquisition | —  | 13,269                                    | —                                     | —   | —   | —                        | 13,269                  |
| Depreciation  | —  | (105)                                     | (1,626)                               | (3)   | (434)                                     | (576)                    | (2,744)                 |
| Amortisation of intangible assets   | —  | —   | —                                     | —   | (897)                                     | —                        | (897)                   |
| Amortisation of properties held for development   | —  | (1,899)                                   | —                                     | —   | —   | —                        | (1,899)                 |
| Provision for impairment of goodwill  | —  | —   | —                                     | —   | —   | (4,168)                  | (4,168)                 |
| Provision for impairment of intangible assets   | —  | —   | —                                     | —   | (6,717)                                   | —                        | (6,717)                 |
| Provision for obsolete inventories  | —  | —   | —                                     | —   | (4,307)                                   | —                        | (4,307)                 |
| <b>Reportable segment assets</b>  | <u>480,486</u>                                     | <u>362,169</u>                            | <u>6,210,876</u>                      | <u>6,450</u>  | <u>207,009</u>                            | <u>8,072</u>             | <u>7,275,062</u>        |
| Additions to non-current segment assets during the year   | —  | 60,026                                    | 153,521                               | 29  | 87  | 1,793                    | 215,456                 |
| <b>Reportable segment liabilities</b>   | <u>(197,552)</u>                                   | <u>(2,978)</u>                            | <u>(60,033)</u>                       | <u>(11,715)</u>   | <u>(16,350)</u>                           | <u>(3,574)</u>           | <u>(292,202)</u>        |

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

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

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

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

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

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

#### 4. OTHER INCOME

|   | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Bank interest income  | 1,012                   | 1,575                   |
| Write-back of long outstanding payables                     | —                       | 446                     |
| Write-back of provision for impairment of trade receivables | 32                      | 78                      |
| Write-back of provision for impairment of associates        | 2,728                   | —                       |
| Gain on disposal of property, plant and equipment           | 46                      | —                       |
| Exchange gain   | 271                     | —                       |
| Miscellaneous income  | 2,776                   | 1,886                   |
|   | <u>6,865</u>            | <u>3,985</u>            |

#### 5. FINANCE COSTS

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

## 6. PROFIT BEFORE INCOME TAX

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

\* included in other operating expenses

^ included share option expenses of HK\$2,925,000 (2008: HK\$2,175,000)

## 7. INCOME TAX EXPENSE/(CREDIT)

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

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

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

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on current year's profit attributable to owners of the Company of HK\$1,058,583,000 (2008: HK\$162,471,000) and the weighted average of 239,687,257 shares (2008: 232,744,782 shares) in issue during the year.

The calculation of diluted earnings per share is based on the weighted average of 241,642,401 shares (2008: 239,084,030 shares) in issue during the year, adjusted for the effect of all dilutive potential shares.

The weighted average number of shares used in the calculation of dilutive earnings per share is calculated based on the weighted average of 239,687,257 shares (2008: 232,744,782 shares) in issue during the year plus the weighted average of 1,955,144 shares (2008: 6,339,248 share) deemed to be issued at no consideration if all the dilutive potential shares have been issued.

## 9. TRADE AND OTHER RECEIVABLES

|   | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Trade receivables, net                                | <b>59,460</b>                  | 63,073                  |
| Other receivable, utility deposit and prepayment, net | <b>11,300</b>                  | 7,506                   |
|   | <b>70,760</b>                  | 70,579                  |

The credit terms of the Group's trade receivables range from 30 to 60 days. At 31 December 2009, the ageing analysis of the trade receivables was as follows:

|                         | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| 0 — 30 days             | <b>35,974</b>                  | 36,057                  |
| 31 — 90 days            | <b>3,702</b>                   | 6,834                   |
| 91 — 180 days           | <b>1,579</b>                   | 5,575                   |
| Over 180 days           | <b>18,205</b>                  | 14,607                  |
| Total trade receivables | <b>59,460</b>                  | 63,073                  |

## 10. TRADE AND OTHER PAYABLES

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

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

|                      | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|----------------------|--------------------------------|-------------------------|
| 0 — 30 days          | <b>30,847</b>                  | 8,804                   |
| 31 — 90 days         | <b>3,232</b>                   | 2,785                   |
| Over 90 days         | <b>13,837</b>                  | 9,821                   |
| Total trade payables | <b>47,916</b>                  | 21,410                  |

## **REVIEW BY AUDIT COMMITTEE**

The consolidated results of the Group for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

## **SCOPE OF WORK OF GRANT THORNTON**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, Grant Thornton and is in line with the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

## **DIVIDEND**

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

## **CLOSURE OF REGISTER OF MEMBER**

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

## **FINANCIAL REVIEW**

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



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

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

## **OPERATIONS REVIEW**

### **Property Assembling and Acquisition**

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

### **Property Leasing**

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

The Group has successfully acquired over 80% ownerships at Nos. 32-50 Haven Street which involves a gross floor area of approximately 186,188 square feet and a total of 78 units, are now for leasing purposes. The rental income for the year amounted to approximately HK\$8,369,000. The Group will depend on market demands and devise the best plan for the project, which is expected to generate profitable return to the Group.

### **Property Development**

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

## **Business in Mainland China**

The Group's various businesses of developing urban infrastructure in the Mainland maintained steady growth during the year, with a project coverage of urban infrastructure in cities such as Xian, Liuzhou, Shaoguan, Xuchang and Nanchang.

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

## **Property Management, E & M and Building Maintenance**

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

## **Corporate Citizen**

Committed to the principle of caring more, inputting more and participating more for society and community welfare activities, the Group was awarded the accreditation of "Caring Company" for three consecutive years. During the year, the Group has co-organised the charity fundraising of Yan Oi Tong "The Caring Company Scheme" and proactively promoted environmental protection awareness in the office. In the future, the Group will keep on caring for the community with real action and strive to concert effort from different streams to promote charity activities with the objective to contributing to society.

## **PROSPECTS**

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

Hong Kong government's stringent control on land supply and continuous improvement in property sales related policies will assist the long term healthy development in the property market. Favorable factors like stable property price, comparable property transaction volume with last year and stable financial market, will all lay a solid foundation for the growth and promotion of the Group's businesses.

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

## **FINANCIAL RESOURCES AND LIQUIDITY**

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

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

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

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

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

## **DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

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

## **DISPOSAL OF SIGNIFICANT INVESTMENT HELD**

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

## **CONTINGENT LIABILITIES**

- (a) In September 2009 the Group commenced legal proceedings HCA1902/2009 against a joint venturer partner, with whom a subsidiary of the Company has a joint venture agreement for the development and construction of village houses on a number of pieces of land in New Territories, and a number of individuals seeking, inter alia, declaratory relief for its proprietary interests in a number of pieces of land in New Territories and injunctive relief against the said individuals, in response to the allegations and claims of Mr. Wong to oust the Group from the joint venture development on the alleged ground that the Group was in breach of the terms of the joint venture agreement. Thereafter, two further sets of legal proceedings were also instituted between the Group and the parties related (HCMP1760/2009 and HCA1931/2009).

Pleadings have been exchanged and the Group has pleaded its claims against the parties concerned, and in the subject land development. It is rather difficult at this stage to opine on the likely outcome of the above legal proceedings while those legal proceedings are still at a very early stage and the documents disclosed by the parties are limited. According to the legal advice, it is beyond controversy that the Group did spend substantial expenses for construction and improvement of the subject land development, to the knowledge of the relevant individuals claiming to be the owners of the pieces of land. As such, it would be difficult to argue that the Group should have no proprietary interests in the subject land development. The management therefore sees no need to make provision for impairment on the outstanding balance as at the reporting date.

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

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

#### **EVENT AFTER REPORTING DATE**

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

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

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

- (b) On 24 February 2010, Soundwill Real Estate acquired 85% equity interest in Gao Yao Shi Jincheng Property Development Company Limited ("Jincheng"). Upon completion of the acquisition, Jincheng will be converted into a Sino Foreign Equity Joint Venture Enterprise to carry out the business of land development. Jincheng has the right to develop an undeveloped land located at Zhaoqing with an area of approximately 73,917.07 square meters being used for residential and commercial purposes. The total consideration payable by Soundwill Real Estate shall be RMB56,610,000 (HK\$64,536,000 equivalents). The total cost for the construction and development of the land is presently estimated to be approximately RMB128,747,000 (HK\$146,772,000 equivalents). As at the reporting date, the transaction is still in the process of obtaining the approved from the relevant government authorities for transferring the shareholdings. Details of the transaction are set out in the Company's announcement dated 24 February 2010.
- (c) The Group disposed of certain of its properties held for sale at a consideration of HK\$98,250,000. The transaction was completed in January 2010.

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

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

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except that:

### **(1) Code Provision A.2.1**

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Groups are delegated to other executive directors, the management and various department heads.

## **(2) Code Provision A.4.1**

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term. The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

## **APPRECIATION**

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance in the past financial year.

By order of the Board  
**Foo Kam Chu, Grace**  
*Chairman*

Hong Kong, 22 April 2010

*As at the date of this announcement, the Board of Directors of the Company comprises (i) Executive Directors: Foo Kam Chu, Grace, Chan Wai Ling, Tse Chun Kong, Thomas, Kong Siu Man, Kenny; (ii) Non-Executive Directors: Liang Yanfeng, Meng Qinghui; and (iii) Independent Non-Executive Directors: Chan Kai Nang, Kwan Kai Cheong and Pao Ping Wing.*