

---

## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares (as defined herein), you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix IV to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong and a copy of this prospectus has been, or will as soon as reasonably practicable be, filed with the Registrar of Companies in Bermuda as required by the Companies Act. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility for the contents of any of these documents.

Dealings in the Shares and the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through the CCASS (as defined herein) established and operated by HKSCC (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

---



## WINFOONG INTERNATIONAL LIMITED

(榮豐國際有限公司\*)

(Incorporated in Bermuda with limited liability)

(Stock code: 63)

### RIGHTS ISSUE OF 239,241,098 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TEN (10) SHARES HELD ON THE RECORD DATE AT HK\$0.07 PER RIGHTS SHARE

Underwriter

Hong Fok Land International Limited

---

Terms used in this cover shall have the same meanings as defined in this prospectus.

It should be noted that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to the Latest Time for Termination if there occurs:— (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or (iv) any material adverse change in the business or in the financial position of the Group as a whole; or (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; and in the reasonable opinion of the Underwriter, such event in (i) to (v) above would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or materially prejudice the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue, or (vi) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or (vii) the Underwriter shall receive notification or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided under the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or (viii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement. If the Underwriter gives a notice of termination as aforesaid, the Underwriting Agreement shall terminate and the obligations of the parties under the Underwriting Agreement shall forthwith cease and be null and void and none of the parties shall, save in respect of certain provisions of the Underwriting Agreement and any right or liabilities accrued before termination, have any right against or liability towards the other parties arising out of or in connection with the Underwriting Agreement.

Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 9 December 2009 to Wednesday, 16 December 2009 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled or waived (as applicable) (which is expected to be 4:00 p.m. on Thursday, 24 December 2009) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

---

## CONTENTS

---

	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Expected timetable of the Rights Issue</b> .....	5
<b>Termination of the Underwriting Agreement</b> .....	7
<b>Letter from the Board</b> .....	9
<b>Appendix I – Financial information of the Group</b> .....	25
<b>Appendix II – Unaudited pro forma financial information</b> .....	101
<b>Appendix III – Summary of the constitution of the Company and Bermuda company law</b> .....	105
<b>Appendix IV – General information</b> .....	130

---

## DEFINITIONS

---

*In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 16 November 2009 in relation to, among other things, the Rights Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday, public holiday on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Winfoong International Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue

---

## DEFINITIONS

---

“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HFC”	Hong Fok Corporation Limited, a company incorporated in Singapore with limited liability, the shares of which are listed on SGX and being the controlling Shareholder interested in 1,502,645,787 Shares representing approximately 62.8% of the existing issued share capital of the Company as at the Latest Practicable Date through its wholly-owned subsidiaries
“Hong Fok (Cayman)”	Hong Fok Corporation Limited (same company name with HFC), a company incorporated in Cayman Islands with limited liability and wholly-owned by HFC
“Hong Fok (HK)”	Hong Fok Corporation (H.K.) Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by HFC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	12 November 2009, being the last full trading day before the suspension of trading in the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Practicable Date”	2 December 2009, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Latest Time for Termination”	4:00 pm on the third Business Day after the latest time for acceptance of and payment for the Rights Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Mrs. Cheong”	Madam Helen Zee Yee Ling, the spouse of Mr. Cheong Pin Chuan, Patrick who is the Chairman and the Managing Director of the Company
“Ms. H.K. Cheong”	Ms. Cheong Hooi Kheng, an alternate Director to one of the Directors, Madam Lim Ghee

---

## DEFINITIONS

---

“Overseas Shareholder(s)”	the Shareholder(s) (whose name(s) appear on the register of members of the Company at the close of business on the Record Date) with registered addresses outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	7 December 2009, being the date at which the Prospectus Documents are despatched to the Qualifying Shareholders
“PRC”	the People’s Republic of China
“Prospectus Documents”	this prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	4 December 2009, being the date by reference to which entitlements to the Rights Issue are to be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong
“Rights Issue”	the issue of the Rights Shares by the Company on the basis of one (1) Rights Share for every ten (10) Shares held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement
“Rights Share(s)”	239,241,098 new Shares to be issued and allotted pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGX”	The Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

---

## DEFINITIONS

---

“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.07 per Rights Share under the Rights Issue
“Super Homes”	Super Homes Limited, a wholly-owned subsidiary of the Group
“Underwritten Shares”	all of the Rights Shares, being 239,241,098 Shares, fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement
“Underwriter” or “HFL”	Hong Fok Land International Limited, a company incorporated in Bermuda with limited liability and held as to 40.4% by HFC through HFC’s wholly-owned subsidiaries as at the Latest Practicable Date
“Underwriting Agreement”	the underwriting agreement dated 16 November 2009 entered into between the Company and the Underwriter in respect of the Rights Issue
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“sq.m.”	square metre
“%” or “per cent.”	percentage or per centum

---

## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

---

The expected timetable for the Rights Issue set out below is for illustration purposes only and has been prepared on the assumption that all conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any change will be announced in a separate announcement by the Company as and when appropriate.

### 2009

Prospectus Documents to be posted .....	Monday, 7 December
Register of members of the Company re-opens .....	Monday, 7 December
First day of dealings in nil-paid Rights Shares .....	Wednesday, 9 December
Latest time for splitting nil-paid Rights Shares .....	4:30 p.m. on Friday, 11 December
Last day of dealings in nil-paid Rights Shares .....	Wednesday, 16 December
Latest time for acceptance of and payment for the Rights Shares .....	4:00 p.m. on Monday, 21 December
Latest time for the Rights Issue to become unconditional .....	4:00 p.m. on Thursday, 24 December
Announcement of the results of the Rights Issue to be published .....	Tuesday, 29 December
Refund cheques for wholly and partially unsuccessful excess applications to be posted .....	Wednesday, 30 December
Share certificates of fully-paid Rights Shares to be posted .....	Wednesday, 30 December

### 2010

First day of dealings in fully-paid Rights Shares .....	Monday, 4 January
---	-------------------

*Note: All times and dates in this prospectus refer to the Hong Kong times and dates.*

---

## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

---

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no.8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 21 December 2009. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 21 December 2009. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on Monday, 21 December 2009, the dates mentioned in this section may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

---

## TERMINATION OF THE UNDERWRITING AGREEMENT

---

### Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to the Latest Time for Termination if there shall develop, occur, exist or come into effect:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (iv) any material adverse change in the business or in the financial position of the Group as a whole; or
- (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise;

and in the reasonable opinion of the Underwriter, such event in (i) to (v) above would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or materially prejudice the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue, or

- (vi) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (vii) the Underwriter shall receive notification or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided under the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

---

## TERMINATION OF THE UNDERWRITING AGREEMENT

---

(viii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

**If the Underwriter gives a notice of termination as aforesaid, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. The obligations of the parties under the Underwriting Agreement shall also forthwith cease and be null and void and none of the parties shall, save in respect of certain provisions of the Underwriting Agreement and any right or liabilities accrued before termination, have any right against or liability towards the other parties arising out of or in connection with the Underwriting Agreement. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.**

---

## LETTER FROM THE BOARD

---



### WINFOONG INTERNATIONAL LIMITED

(榮豐國際有限公司\*)

(Incorporated in Bermuda with limited liability)

(Stock code: 63)

*Executive Directors:*

Cheong Pin Chuan, Patrick  
(Chairman and Managing Director)  
Cheong Kim Pong  
Cheong Sim Eng

*Non-executive Director:*

Lim Ghee

*Independent non-executive Directors:*

Kan Fook Yee  
Lai Hing Chiu, Dominic  
Chan Yee Hoi, Robert  
Leung Wing Ning

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Office in Hong Kong:*

Room 3201  
9 Queen's Road Central  
Hong Kong

7 December 2009

*To the Qualifying Shareholders and, for information purpose only, the Excluded Shareholders*

Dear Sir/Madam,

**RIGHTS ISSUE OF 239,241,098 RIGHTS SHARES  
ON THE BASIS OF  
ONE (1) RIGHTS SHARE FOR EVERY TEN (10) SHARES  
HELD ON THE RECORD DATE AT  
HK\$0.07 PER RIGHTS SHARE**

#### INTRODUCTION

On 16 November 2009, the Board announced, among other things, the proposed Rights Issue. As stated in the Announcement, the Board proposed to raise approximately HK\$16.7 million before expenses by issuing 239,241,098 Rights Shares at the Subscription Price of HK\$0.07 per Rights Share on the basis of one (1) Rights Share for every ten (10) Shares held on the Record Date. The Rights Issue will only be available to the Qualifying Shareholders.

The purpose of this prospectus is to provide you with, among other things, further details on the Rights Issue and financial information and other general information on the Group.

\* for identification purposes only

---

## LETTER FROM THE BOARD

---

### RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every ten (10) Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	2,392,410,986 Shares
Number of Rights Shares	:	239,241,098 Rights Shares
Aggregate nominal value of the Rights Shares	:	HK\$11,962,054.9
Subscription Price	:	HK\$0.07 per Rights Share
Enlarged issued share capital of the Company upon completion of the Rights Issue	:	2,631,652,084 Shares
Funds raised before expenses	:	Approximately HK\$16.7 million

The aggregate number of nil-paid Rights Shares to be provisionally allotted pursuant to the terms of the Rights Issue amounts to 239,241,098 Shares and represents (i) approximately 10.0% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Taking into account the estimated expenses in connection with the Rights Issue of approximately HK\$1.6 million, the net price per Rights Share is expected to be approximately HK\$0.063.

#### Basis of provisional allotment

The basis of allotment shall be one (1) Rights Share for every ten (10) Shares held by a Qualifying Shareholder on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

As at the Latest Practicable Date, there were no outstanding options or securities that are convertible or exchangeable into Shares or confer any right on any person to subscribe for Shares.

#### Subscription Price

The Subscription Price, being HK\$0.07 per Rights Share, is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of the Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

---

## LETTER FROM THE BOARD

---

The Subscription Price represents:

- (i) a discount of approximately 66.7% to the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 66.7% to the average of the closing prices of Shares for the five consecutive trading days ended on the Last Trading Day of HK\$0.210;
- (iii) a discount of approximately 66.5% to the average of the closing prices of Shares for the ten consecutive trading days ended on the Last Trading Day of approximately HK\$0.209;
- (iv) a discount of approximately 64.5% to the theoretical ex-right price of approximately HK\$0.197 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 69.6% to the closing price of HK\$0.23 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 60.9% to the unaudited consolidated net assets value of the Company of approximately HK\$0.179 per Share as at 30 September 2009.

The Subscription Price was determined based on arm's length negotiations between the Company and the Underwriter with reference to the recent global economic environment, the volatility of the stock market and the prevailing Share price. The Directors consider that, in order to enhance the attractiveness of the Rights Issue given the current capital market atmosphere, it is appropriate to determine the Subscription Price at a considerable discount to the current market price of the Shares and the net assets value per Share. The Rights Issue provides all Shareholders the opportunity to participate in the growth of the Company and to broaden Shareholders' base without diluting their respective shareholdings.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and this prospectus, without accompanying PAL or EAF, to the Excluded Shareholders for their information only.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

### **Rights of the Excluded Shareholders**

This prospectus will not be registered or filed under the securities legislation of any jurisdictions other than Hong Kong and Bermuda. If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue.

---

## LETTER FROM THE BOARD

---

Based on the register of members of the Company as at the Latest Practicable Date, the Company had a total of 21 Overseas Shareholders including 1 in Australia, 2 in Canada, 15 in Macau, 2 in Singapore and 1 in the United States of America.

The Directors have, in compliance with Rule 13.36 of the Listing Rules, made enquiries regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges in these jurisdictions. Based on the legal advices provided by the legal advisers in the relevant jurisdictions, the Directors are of the view that it is necessary and expedient to exclude the Overseas Shareholders in Australia, Canada and the United States of America and such Overseas Shareholders will be regarded as Excluded Shareholders pursuant to Rule 13.36(2)(a) of the Listing Rules as the offering of the Rights Shares to these Overseas Shareholders would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable and the cost to be incurred would outweigh the possible benefits to the relevant Overseas Shareholders and the Company if the Rights Shares are to be offered in these jurisdictions. The Directors have been advised by its legal advisers that no local legal or regulatory compliance is required to be made in Macau and Singapore with respect to the offer of the Rights Issue to the Overseas Shareholders whose registered addresses are in Macau or Singapore. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders whose registered addresses are in Macau or Singapore. Accordingly, such Overseas Shareholders together with the Shareholders with registered addresses in Hong Kong are Qualifying Shareholders.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, above HK\$100 will be distributed by the Company to the relevant Excluded Shareholders pro rata to their shareholdings on the Record Date (but rounded down to the nearest cent) in Hong Kong dollars. The Company will retain individual amount of HK\$100 or less than HK\$100 for the benefit of the Company. Any unsold nil-paid Rights Shares of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

No part of the Prospectus Documents should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without written consent of the Company.

### **Fractional entitlements to the Rights Shares**

The Company will not provisionally allot fractions of the Rights Shares. The aggregate of fractions of the Rights Shares will be sold by the Company on the market if a net premium can be obtained. Any unsold fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders.

---

## LETTER FROM THE BOARD

---

### Procedures for acceptance and transfer

A PAL is enclosed with this prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by not later than 4:00 p.m. on Monday, 21 December 2009. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Winfoong International Limited – Rights Issue (PAL)**" and crossed "**Account Payee Only**". It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Monday, 21 December 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Friday, 11 December 2009 to the Registrar, Computershare Hong Kong Investor Services Limited, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferees, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

Save as described under the paragraph headed "Rights of the Excluded Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving this prospectus, a PAL or an EAF in any territory outside

---

## LETTER FROM THE BOARD

---

Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself before acquiring any rights to subscribe for the provisionally allotted Rights Shares or excess Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is an Excluded Shareholder.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue” in the section headed “Underwriting Arrangement” below is not fulfilled or waived (as applicable) at or before the time and date specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Wednesday, 30 December 2009.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders, any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders, and any unsold Rights Shares created by aggregating fractions of the Rights Shares.

Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares

---

## LETTER FROM THE BOARD

---

applied by them (i.e. Qualifying Shareholders applying for a smaller number of excess Rights Shares will be allocated with a higher percentage of successful applications but will receive a lesser number of excess Rights Shares; whereas Qualifying Shareholders applying for a larger number of excess Rights Shares will be allocated with a smaller percentage of successful applications but will receive a higher number of excess Rights Shares) and with board lot allocations to be made on a best effort basis.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on applications in respect of the excess Rights Shares being applied for with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:00 p.m. on Monday, 21 December 2009. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashiers orders must be issued by, licensed bank in Hong Kong and made payable to "**Winfoong International Limited – Rights Issue (EAF)**" and crossed "**Account Payee Only**". The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them. An announcement of results of acceptance of and excess applications for the Rights Issue will be published on Tuesday, 29 December 2009.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications on their own names as against through nominees who also hold Shares for other Shareholders/investors. Shareholders and investors with their Shares held by a nominee company should note that the Board will regard the nominee company (including HKSCC) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Where the number of excess Rights Shares applied for under one EAF is larger than the total number of Rights Shares being offered under the Rights Issue, being 239,241,098 Rights Shares, such application (other than from a nominee company) would be treated as invalid and be rejected. If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full by ordinary post by the Registrar at his own risk on or before Wednesday, 30 December 2009. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies are also expected to be returned by refund cheque to that Qualifying Shareholder by ordinary post by the Registrar at his own risk on or before Wednesday, 30 December 2009.

---

## LETTER FROM THE BOARD

---

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post at the risk of such applicants to their registered addresses by the Registrar on or before Wednesday, 30 December 2009.

All cheques or cashiers orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation of the Company that all registration, legal and regulating requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it, have been, or will be, duly complied with. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. Save as described under the paragraph headed "Rights of the Excluded Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy itself/himself/herself before acquiring any rights to subscribe for the excess Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. The Company reserves the right to refuse to accept any application for the excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled or waived (as applicable), the monies received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Wednesday, 30 December 2009.

---

## LETTER FROM THE BOARD

---

### **Status of the Rights Shares**

When issued and fully paid, the Rights Shares will rank *pari passu* in all respects with the Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form. Dealings in nil-paid and fully paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

### **Application for listing**

The Company has made an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The Rights Shares do not constitute a new class of securities to be listed on the Stock Exchange. The board lot size of nil-paid Rights Shares is the same as that of the fully-paid Rights Shares of 1,000 Shares.

The Company does not have any debt securities in issue and no part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Permission of the Bermuda Monetary Authority**

General permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been given by the Bermuda Monetary Authority to the Company in respect of the issue of the Shares (which would include the Rights Shares) to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus Documents for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

---

## LETTER FROM THE BOARD

---

### Stamp duty

Dealings in the Rights Shares in their nil-paid and fully-paid forms which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transactions levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post by the Registrar, at the Shareholders' own risks, on Wednesday, 30 December 2009. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 30 December 2009 by ordinary post to the applicants' registered addresses by the Registrar at their own risk.

## UNDERWRITING ARRANGEMENT

### Underwriting Agreement

*Principal terms of the Underwriting Agreement dated 16 November 2009*

Issuer : The Company  
Underwriter: : HFL

As at the Latest Practicable Date, the Underwriter was interested in 134,537,600 shares of HFC, representing approximately 20.4% of the issued share capital of HFC, while HFC, through its wholly-owned subsidiaries, was interested in 602,645,787 shares of the Underwriter, representing approximately 40.4% of the issued share capital of the Underwriter. Based on the above, the Underwriter is an associate of the controlling Shareholder and the Underwriter is therefore a connected person of the Company under the Listing Rules. The executive Directors, Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong and Mr. Cheong Sim Eng and the alternate non-executive Director, Ms. H. K. Cheong are also the directors of the Underwriter.

Number of Underwritten Shares : 239,241,098 Rights Shares

---

## LETTER FROM THE BOARD

---

Commission : 2.5% of the aggregate Subscription Price of the Underwritten Shares as at the Record Date, which was determined after arm's length negotiations between the Company and the Underwriter, and the Directors are of the view that the commission is fair and reasonable.

The Underwriter is principally engaged in property investment and management, property development and construction, and does not underwrite issue of securities in its normal course of business.

As at the date of the Underwriting Agreement and the Latest Practicable Date, HFC, through its wholly-owned subsidiaries namely Hong Fok (Cayman) and Hong Fok (HK), was interested in 1,502,645,787 Shares representing approximately 62.8% of the existing issued share capital of the Company, and Ms. H.K. Cheong (the alternate Director to Madam Lim Ghee) and Mrs. Cheong (the spouse of Mr. Cheong Pin Chuan, Patrick, being the Chairman and the Director) were interested in 2,000,000 Shares and 3,397,000 Shares (representing approximately 0.1% and 0.1% of the existing issued share capital of the Company), respectively. As at the Latest Practicable Date, each of Hong Fok (Cayman), Hong Fok (HK), Ms. H.K. Cheong and Mrs. Cheong had not given any indication on whether they intend to accept or not the Rights Shares to be provisionally allotted to them under the Rights Issue. In the event that Hong Fok (Cayman) and Hong Fok (HK) do not take up the Rights Shares and assuming the Rights Issue becomes unconditional and that there is no other change in the shareholding structure of the Company between the Latest Practicable Date to the completion of the Rights Issue, the shareholding of HFC immediately after completion of the Rights Issue will be diluted to approximately 57.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. In addition, as HFC, through its wholly-owned subsidiaries, held an approximate 40.4% interest in the issued share capital of the Underwriter, in the event that none of the Qualifying Shareholders accept the Rights Shares to be provisionally allotted to them and all the Rights Shares are allotted and issued to the Underwriter, HFC will have an effective interest of approximately 60.8% in the issued share capital of the Company immediately after completion of the Rights Issue.

### **Conditions of the Rights Issue**

The Rights Issue is conditional on:

- (i) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance;
- (ii) the delivery and filing with the Registrar of Companies in Bermuda on or prior to the Posting Date of a copy of the Prospectus Documents duly signed as required by the Companies Act;

---

## LETTER FROM THE BOARD

---

- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Rights Shares, in nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination;
- (iv) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn and the trading of the Shares not having been suspended for a consecutive period of more than 14 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date; and
- (vi) compliance with and performance of all the undertakings and obligations of the Company in all material aspects under the terms of the Underwriting Agreement.

Neither the Company nor the Underwriter may waive conditions (i), (ii), (iii) and (v) set out above. The Underwriter may waive conditions (iv) and (vi) in whole or in part by written notice to the Company. If any of the above conditions is not fulfilled or waived (as the case may be) on or before the time and date specified above or, in the absence of such specification, the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate (save in respect of certain rights or obligations under the Underwriting Agreement) and the obligations of the parties shall forthwith cease and be null and void and neither of the parties shall have any right against or liability towards any of the other party arising out of or in connection with the Underwriting Agreement and the Company shall reimburse to the Underwriter all reasonable costs and expenses as have been properly incurred by it in connection with the Rights Issue. If the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed.

### **Termination of the Underwriting Agreement**

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to the Latest Time for Termination if there shall develop, occur, exist or come into effect:–

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

---

## LETTER FROM THE BOARD

---

- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (iv) any material adverse change in the business or in the financial position of the Group as a whole; or
- (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise;

and in the reasonable opinion of the Underwriter, such event in (i) to (v) above would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or materially prejudice the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue, or

- (vi) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (vii) the Underwriter shall receive notification or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided under the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (viii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

---

## LETTER FROM THE BOARD

---

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriter gives a notice of termination as aforesaid, the Underwriting Agreement shall terminate and the obligations of the parties under the Underwriting Agreement shall forthwith cease and be null and void and none of the parties shall, save in respect of certain provisions of the Underwriting Agreement and any right or liabilities accrued before termination, have any right against or liability towards the other parties arising out of or in connection with the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES**

**The Rights Issue is subject to, among other things, the fulfilment or waiver of the conditions set out in the paragraph headed “Conditions of the Rights Issue” above. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise caution when dealing in the Shares.**

**Any dealing in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult their professional advisers.**

### **REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS**

In view of the general tightening of credit in the banking and finance industry, the Directors consider that the Rights Issue is an appropriate channel to raise new capital as it provides all the Shareholders an equal opportunity to participate and maintain their proportionate interest in the Company if they so wish. It is the Group’s intention to explore other quality investment opportunities with a view to strengthening its property portfolio in order to enhance the Shareholder’s value after the Right Issue and it is intended that the Group will apply the net proceeds of approximately HK\$15.1 million from the Rights Issue for general working capital and for investment in other favourable investment opportunities which is in line with its business strategy as aforesaid. Since the Group has not identified any investments targets as at the Latest Practicable Date, instead of laying aside the proceeds in bank, the Directors consider that it is better to apply the proceeds from the Rights Issue for the repayment of a revolving loan of the Group so as to decrease the finance cost of the Group. In the event an investment opportunity materializes, the Group, at any time, can draw down the revolving loan for the funding of the investments.

In light of the above reasons, the Directors consider that the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in property investment and management, property development and construction and provision of horticultural services. As at the Latest Practicable Date, the principal properties held by the Group were located in Hong Kong and Singapore. Moving forward, the Group will continue to focus its resources on the existing properties including the redevelopment of property located at no.38 Conduit Road, Hong Kong (“THE ICON”), and engage in horticultural services. The redevelopment of THE ICON is expected to be completed in 2010 and the Group has entered into provisional agreements with independent third parties for the sale of certain units of THE ICON since the end of June 2009. In addition, the Group will continue to explore other quality investment opportunities with a view to strengthening its property portfolio in order to enhance the Shareholders’ value after the Rights Issue. The Board considers that the Rights Issue and the further selling of THE ICON are beneficial to the Group and will strengthen the Group’s ability in investing in appropriate projects when the opportunity comes.

### CHANGES IN SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Rights Issue under two scenarios as described under the notes (3) and (4) below, assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and the completion of the Rights Issue:

	As at the Latest Practicable Date		Upon completion of the Rights Issue			
	Number of Shares	Approximate %	Scenario I (Note 5)		Scenario II (Note 6)	
Number of Shares			Approximate %	Number of Shares	Approximate %	
HFC (Note 1)	1,502,645,787	62.81	1,652,910,365	62.81	1,502,645,787	57.10
The Underwriter Barragan Trading Corp. (Note 2)	–	–	–	–	239,241,098	9.09
Ms. H.K. Cheong (Note 3)	285,312,566	11.93	313,843,823	11.93	285,312,566	10.84
Mrs. Cheong (Note 4)	2,000,000	0.08	2,200,000	0.08	2,000,000	0.08
Public Shareholders	3,397,000	0.14	3,736,700	0.14	3,397,000	0.13
	599,055,633	25.04	658,961,196	25.04	599,055,633	22.76
<b>Total</b>	<b>2,392,410,986</b>	<b>100.00</b>	<b>2,631,652,084</b>	<b>100.00</b>	<b>2,631,652,084</b>	<b>100.00</b>

Notes:

- HFC was the controlling shareholder of the Underwriter which held, through its wholly-owned subsidiaries, approximately 40.4% of the issued share capital of the Underwriter as at the Latest Practicable Date while the Underwriter held 134,537,600 shares of HFC representing approximately 20.4% of the issued share capital of HFC as at the Latest Practicable Date.

Under Scenario II HFC will have an effective interest of approximately 60.8% in the issued share capital of the Company immediately after completion of the Rights Issue.

- Barragan Trading Corp. is beneficially owned by Mr. Shaw Vee King.
- Ms. H.K. Cheong is an alternate Director to a non-executive Director, Madam Lim Ghee.
- Mrs. Cheong is the spouse of Mr. Cheong Pin Chuan, Patrick, being the Chairman and Managing Director of the Company.

---

## LETTER FROM THE BOARD

---

5. Scenario I illustrates the shareholding structure of the Company upon completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders under the Rights Issue.
6. Scenario II illustrates the shareholding structure of the Company upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders under the Rights Issue.

The Underwriter has undertaken to the Company in the Underwriting Agreement that in the event that it is called upon to perform its underwriting obligations under the Underwriting Agreement and as a result of which, the Company is unable to maintain the prescribed minimum public float as required under the Listing Rules, the Underwriter will, after making prior consultation with the Company and subject to compliance with the Listing Rules, take necessary actions to procure the Company's compliance with the prescribed minimum public float requirement of the Listing Rules by the time immediately prior to the commencement of trading of the Rights Shares, in their fully-paid form, on the Stock Exchange. In this regard, the Underwriter has entered into a sale and purchase agreement with a party who is independent of and not connected with the Company and its connected persons, whereby such party has agreed to purchase up to 58,857,388 Shares from the Underwriter ("Restoration Arrangement") and the actual number of Shares subject to the sale and purchase will be determined with reference to the number of Shares that is required to maintain the public float of the Company. Taking into account the Restoration Arrangement, the public float of the Company can be maintained at not less than 25% after the completion of the Rights Issue.

### **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

There has not been any fund raising activity conducted by the Company in the past 12 months immediately preceding the Latest Practicable Date.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealing in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealing in or exercising any rights in relation to the Shares or the Rights Shares.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

On behalf of the board of  
**Winfoong International Limited**  
**Cheong Pin Chuan, Patrick**  
*Chairman*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial statements of the Group for each of the three years ended 31 December 2008 and the unaudited financial statements for the six months ended 30 June 2009 as extracted from the relevant annual report or interim report of the Company.

## RESULTS

	Six months ended 30 June 2009	Year ended 31 December		
	2009	2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>2,883</u>	<u>48,533</u>	<u>29,339</u>	<u>26,169</u>
Profit/(loss) before taxation	91,146	34,290	(311,249)	154,587
Income tax	<u>(9,916)</u>	<u>5,505</u>	<u>(1,021)</u>	<u>(4,055)</u>
Profit/(loss) before minority interests	81,230	39,795	(312,270)	150,532
Minority interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(loss) attributable to Shareholders	<u>81,230</u>	<u>39,795</u>	<u>(312,270)</u>	<u>150,532</u>

## ASSETS AND LIABILITIES

	As at 30 June 2009	As at 31 December		
	2009	2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	587,417	460,849	449,979	2,641,002
Total liabilities	<u>(187,316)</u>	<u>(141,065)</u>	<u>(169,330)</u>	<u>(756,712)</u>
Net assets	<u>400,101</u>	<u>319,784</u>	<u>280,649</u>	<u>1,884,290</u>

## 2. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, the balance sheet of the Company together with the notes to the financial

statements of the Company as extracted from the annual report of the Company for the year ended 31 December 2008. References to page numbers in this section are made to the page numbers of such annual report of the Company.

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>For the year ended 31 December</b>	
		<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	3	48,533	29,339
Cost of sales		<u>(44,579)</u>	<u>(16,793)</u>
<b>Gross profit</b>		3,954	12,546
Valuation gains on investment property	13	75,501	14,173
Other revenue	4	153	302
Other net income	4	510	1,415
Write-down of inventories		(25,908)	–
Operating and administrative expenses		<u>(19,741)</u>	<u>(33,218)</u>
<b>Profit/(loss) from operations</b>		34,469	(4,782)
Finance costs	5(a)	(179)	(13,490)
Share of profit of an associate		–	28,145
Impairment loss on goodwill	14	<u>–</u>	<u>(321,122)</u>
<b>Profit/(loss) before taxation</b>	5	34,290	(311,249)
Income tax credit/(expense)	6(a)	<u>5,505</u>	<u>(1,021)</u>
Profit/(loss) for the year		<u><u>39,795</u></u>	<u><u>(312,270)</u></u>
<b>Attributable to:</b>			
Equity shareholders of the Company	9	39,795	(312,270)
Minority interests		<u>–</u>	<u>–</u>
<b>Profit/(loss) for the year</b>		<u><u>39,795</u></u>	<u><u>(312,270)</u></u>
<b>Dividend</b>	10	<u><u>–</u></u>	<u><u>1,731,047</u></u>
<b>Earnings/(loss) per share</b>	11		
Basic and diluted		<u><u>HK1.66 cents</u></u>	<u><u>HK(16.70) cents</u></u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December			
		2008		2007	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Fixed assets	13				
– Investment property			355,320		273,320
– Other property, plant and equipment			4,116		3,676
– Interests in leasehold land held for own use under operating leases			440		452
			<u>359,876</u>		<u>277,448</u>
Goodwill	14		–		–
Pledged bank deposits	19		4		10
Other financial assets	16		1,610		2,534
			<u>361,490</u>		<u>279,992</u>
<b>Current assets</b>					
Inventories	17	94,531		160,965	
Trade and other receivables	18	2,341		3,529	
Tax recoverable	24(a)	1		8	
Cash and cash equivalents	19	2,486		5,485	
		<u>99,359</u>		<u>169,987</u>	
<b>Current liabilities</b>					
Trade and other payables	20	9,937		11,557	
Bank borrowings	21	235		–	
Tax payables	24(a)	504		856	
		<u>10,676</u>		<u>12,413</u>	
<b>Net current assets</b>			<u>88,683</u>		<u>157,574</u>

## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

		As at 31 December			
		2008		2007	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Total assets less current liabilities</b>			450,173		437,566
<b>Non-current liabilities</b>					
Bank borrowings	21		130,306		150,829
Loan from a fellow subsidiary	26(a)(ii)		—		302
Deferred tax liabilities	24(b)		83		5,786
			<u>130,389</u>		<u>156,917</u>
<b>NET ASSETS</b>			<u>319,784</u>		<u>280,649</u>
<b>CAPITAL AND RESERVES</b>	25(a)				
Share capital			119,620		119,620
Reserves			<u>200,164</u>		<u>161,029</u>
<b>Total equity attributable to equity shareholders of the Company</b>			319,784		280,649
<b>Minority interests</b>			—		—
<b>TOTAL EQUITY</b>			<u>319,784</u>		<u>280,649</u>

## BALANCE SHEET

	Note	As at 31 December			
		2008		2007	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Investments in a subsidiary	15		1		1
<b>Current assets</b>					
Trade and other receivables	18	207,939		209,747	
Cash and cash equivalents	19	<u>6</u>		<u>7</u>	
		207,945		209,754	
<b>Current liabilities</b>					
Trade and other payables	20	<u>(517)</u>		<u>(1,260)</u>	
<b>Net current assets</b>			<u>207,428</u>		<u>208,494</u>
<b>NET ASSETS</b>			<u>207,429</u>		<u>208,495</u>
<b>CAPITAL AND RESERVES</b>					
	25(b)				
Share capital			119,620		119,620
Reserves			<u>87,809</u>		<u>88,875</u>
<b>TOTAL EQUITY</b>			<u>207,429</u>		<u>208,495</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	For the year ended 31 December	
		2008	2007
		HK\$'000	HK\$'000
<b>Total equity at 1 January</b>		280,649	1,884,290
<b>Net income recognised directly in equity:</b>			
Exchange differences on translation of financial statements of overseas subsidiaries	25	(280)	5,570
Change in fair value of available-for-sale securities	25	(380)	380
Share of movements in reserves of an associate	25	—	6,226
Net income for the year recognised directly in equity		(660)	12,176
<b>Net profit/(loss) for year</b>		<u>39,795</u>	<u>(312,270)</u>
<b>Total recognised income and expense for the year</b>		39,135	(300,094)
<b>Attributable to:</b>			
Equity shareholders of the Company		39,135	(300,094)
Minority interests		—	—
		<u>39,135</u>	<u>(300,094)</u>
<b>Distribution in specie</b>	25	—	(1,731,047)
<b>Movements in equity arising from capital transactions:</b>			
Shares issued for the acquisition of subsidiaries	25	—	427,500
<b>Total equity at 31 December</b>		<u>319,784</u>	<u>280,649</u>

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>For the year ended</b>	
		<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>			
Profit/(Loss) before taxation		34,290	(311,249)
Adjustments for:			
– Valuation gains on investment property	13	(75,501)	(14,173)
– Revaluation losses/(gains) on buildings	13	9	(40)
– Depreciation	5(c)	1,136	1,058
– Amortisation of land lease premium	5(c)	12	12
– Impairment loss for bad and doubtful debts	5(c)	–	97
– Finance costs	5(a)	179	13,490
– Impairment loss on goodwill	14	–	321,122
– Interest income	4	(22)	(137)
– Share of profit of an associate		–	(28,145)
– Gain on disposal of fixed assets	4	–	(35)
– Write-down of inventories		25,908	–
– Foreign exchange loss/(gain)		866	(1,466)
<b>Operating loss before changes in working capital</b>		(13,123)	(19,466)
Decrease in inventories		39,911	12,325
Decrease/(Increase) in trade and other receivables		1,181	(764)
Decrease in trade and other payables		(2,068)	(4,010)
<b>Cash generated from/(used in) operations</b>		25,901	(11,915)
<b>Tax paid</b>			
– Hong Kong profits tax paid		–	(6)
– Hong Kong profits tax refunded		7	1
– Singapore income tax paid		(642)	–
<b>Net cash generated from/(used in) operating activities</b>		25,266	(11,920)

	<i>Note</i>	<b>For the year ended</b>	
		<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investing activities</b>			
Withdrawal of pledged bank deposits		6	231
Payment for purchase of fixed assets		(8,105)	(23,293)
Proceeds from sale of fixed assets		22	158
Loan repaid by a director of a subsidiary		490	500
Loan repaid by a fellow subsidiary		54	–
Interest received		22	98
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	30	<u>–</u>	<u>(13,144)</u>
<b>Net cash used in investing activities</b>		<u>(7,511)</u>	<u>(35,450)</u>
<b>Financing activities</b>			
Increase in amount due to a related company		508	3,558
(Decrease)/increase in amount due to a fellow subsidiary		(302)	248
Increase in amount due to the ultimate holding company		146	–
Proceeds from new bank loans		17,454	362,000
Repayment of bank loans		(38,163)	(297,611)
Interest paid		(372)	(13,277)
Net outflow of cash and cash equivalents in respect of distribution in specie	10	<u>–</u>	<u>(6,996)</u>
<b>Net cash (used in)/generated from financing activities</b>		<u>(20,729)</u>	<u>47,922</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(2,974)	552
<b>Cash and cash equivalents at 1 January</b>	19	5,485	4,342
<b>Effect of foreign exchange rate changes</b>		<u>(25)</u>	<u>591</u>
<b>Cash and cash equivalents at 31 December</b>	19	<u><u>2,486</u></u>	<u><u>5,485</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2008*

*(Expressed in Hong Kong dollars)*

**1. SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable 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 issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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 and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these development to the extent that they are relevant to the Group for the current and prior accounting years reflected in these financial statements.

**b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 1(g));
- other buildings (see note 1(h)); and
- financial instruments classified as available-for-sale securities (see note 1(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

**c) Subsidiaries and minority interests**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the 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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet with equity, separately from equity attributable to the equity shareholders 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 shareholders 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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**d) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in the associate recognised for the year (see notes 1(e) and (j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

**e) Goodwill**

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

**f) Other investments in debt and equity securities**

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investment in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(s)(vi) and (vii).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(vi) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(s)(vii). When these investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

**g) Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

**h) Other property, plant and equipment**

The following properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

- land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(i)); and
- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(i)).

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

The other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)).

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over their estimated useful lives of 40 years.
- Furniture, equipment and other fixed assets are depreciated over 5 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**i) Leased assets**

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

*i) Classification of assets leased to the Group*

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

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

*ii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale (see note 1(k)(ii)).

**j) Impairment of assets***i) Impairment of investments in debt and equity securities and other receivables*

Investments in debt and equity securities (other than investments in subsidiaries and associates: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*ii) Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease;
- investments in subsidiaries and associate (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**k) Inventories**

*i) Horticultural services*

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the standard cost basis (which approximates the average actual cost) and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

*ii) Property development*

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (see note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**l) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses of doubtful debts.

**m) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**n) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**o) 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.

**p) Employee benefits***i) Short-term employee benefits and contributions to defined contribution retirement plans*

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

*ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

**q) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised 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 assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the foreseeable future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**r) Financial guarantees issued, provisions and contingent liabilities***i) Financial guarantees issued*

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

*ii) Contingent liabilities acquired in business combinations*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(r)(iii).

*iii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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.

**s) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*i) Rental income from operating leases*

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

*ii) Sale of properties*

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

*iii) Sale of goods*

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

*iv) Contract revenue*

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and
- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus a percentage of the recoverable cost on an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

*v) Management fee income*

Management fee income is recognised at the time when the services are rendered.

*vi) Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*vii) Interest income*

Interest income is recognised as it accrues using the effective interest method.

**t) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relates to that foreign operation is included in the calculation of the profit or loss on disposal.

**u) Borrowing costs**

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

**v) Related parties**

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

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group.
- ii) the Group and the party are subject to common control;
- iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

**w) 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.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances and corporate and financing expenses.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- HK(IFRIC)–Int 11, *HKFRS 2 – Group and treasury share transactions*
- HK(IFRIC)–Int 12, *Service concession arrangements*
- HK(IFRIC)–Int 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement*, and HKFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

**3. TURNOVER**

The principal activities of the Group for the year ended 31 December 2008 were property investment and management, property development and construction, and provision of horticultural services.

Turnover represents the rental income, proceeds from sales of properties, revenue from provision of property management services, revenue from provision of property construction services and revenue from provision of horticultural services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rentals from investment and other properties	1,612	13,455
Gross proceeds from properties sold	43,128	12,107
Revenue from provision of property management services	289	331
Revenue from provision of property construction services	–	137
Revenue from provision of horticultural services	3,504	3,309
	<u>48,533</u>	<u>29,339</u>

**4. OTHER REVENUE AND NET INCOME**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other revenue</b>		
Interest income		
– banks	16	98
– others	6	39
	<u>22</u>	<u>137</u>
Others	131	165
	<u>153</u>	<u>302</u>
<b>Other net income</b>		
Gain on disposal of fixed assets	–	35
Revaluation (losses)/gains on buildings	(9)	40
Net foreign exchange gain	519	1,340
	<u>510</u>	<u>1,415</u>

## 5. PROFIT/(LOSS) BEFORE TAXATION

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

	2008 HK\$'000	2007 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank borrowings wholly repayable within five years	3,470	18,153
Interest on loan from a fellow subsidiary	–	2
	<u>          </u>	<u>          </u>
Total interest expense on financial liabilities not at fair value through profit or loss	3,470	18,155
Less: Interest expense capitalised into properties under development*	(3,291)	(4,665)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	179	13,490
	<u>          </u>	<u>          </u>

\* The borrowing costs have been capitalised at a rate of 0.99%-4.47% (2007: 3.59%-6.41%) per annum.

	2008 HK\$'000	2007 HK\$'000
<b>(b) Staff costs (including directors' remuneration)</b>		
Contributions to defined contribution retirement plan (note 22)	30	259
Salaries, wages and other benefits	2,881	13,364
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	2,911	13,623
	<u>          </u>	<u>          </u>

	2008 HK\$'000	2007 HK\$'000
<b>(c) Other items</b>		
Amortisation of land lease premium	12	12
Depreciation of fixed assets	1,136	1,058
Auditors' remuneration		
– audit services	463	629
– tax services	49	39
– other services	67	402
Operating lease charges:		
minimum lease payments		
– hire of plant and machinery	9	9
– hire of other assets (including property rentals)	2,631	2,634
Impairment loss for bad and doubtful debts		
– trade debtors	–	97
Share of an associate's taxation	–	6,737
Rentals received and receivable from investment and other properties less direct outgoings of HK\$1,149,000 (2007: HK\$3,738,000)	(463)	(9,717)
Cost of inventories (note 17(c))	41,638	12,505
	<u>          </u>	<u>          </u>

## 6. INCOME TAX

## a) Taxation in the consolidated income statement represents:

	2008 HK\$'000	2007 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Under-provision in respect of prior years	–	(8)
<b>Current tax – Singapore Income Tax</b>		
Provision for the year	(287)	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	5,767	(1,013)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	<u>25</u>	<u>–</u>
Income tax credit/(expense)	<u><u>5,505</u></u>	<u><u>(1,021)</u></u>

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's and the Company's 2008 financial statements. However, no provision for Hong Kong Profits Tax for the years ended 31 December 2008 and 2007 has been made as the Group has no estimated assessable profits arising in Hong Kong for the year.

The provision for Singapore Income Tax for 2008 is calculated at 18% (2007: 18%) of the normal chargeable income.

## b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2008 HK\$'000	2007 HK\$'000
Profit/(loss) before taxation	<u><u>34,290</u></u>	<u><u>(311,249)</u></u>
Notional tax on (profit)/loss before taxation, calculated at the rates applicable to profits in the countries concerned	(5,271)	54,459
Tax effect of non-deductible expenses	(244)	(57,331)
Tax effect of non-taxable income	12,317	701
Tax effect of unused tax losses not recognised	(2,054)	(4,773)
Tax effect of prior years' tax losses utilised this year	254	573
Tax effect of share of profit of an associate	–	4,925
Under-provision in prior years		
– Hong Kong Profit Tax	–	(8)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	25	–
Others	<u>478</u>	<u>433</u>
Actual tax credit/(expense)	<u><u>5,505</u></u>	<u><u>(1,021)</u></u>

## 7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	2008 Total <i>HK\$'000</i>
Executive Directors:					
Cheong Pin Chuan, Patrick	–	458	–	–	458
Cheong Kim Pong	–	–	–	–	–
Cheong Sim Eng	–	–	–	–	–
Independent non-executive directors:					
Kan Fook Yee	100	–	–	–	100
Lai Hing Chiu, Dominic	100	–	–	–	100
Chan Yee Hoi, Robert	100	–	–	–	100
Non-executive directors:					
Lim Ghee	–	–	–	–	–
Cheong Hooi Kheng*	–	–	–	–	–
	<u>300</u>	<u>458</u>	<u>–</u>	<u>–</u>	<u>758</u>

	Directors' fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	2007 Total <i>HK\$'000</i>
Executive Directors:					
Cheong Pin Chuan, Patrick	–	1,113	–	7	1,120
Cheong Kim Pong	–	63	–	–	63
Cheong Sim Eng	–	768	–	7	775
Independent non-executive directors:					
Kan Fook Yee	100	–	–	–	100
Lai Hing Chiu, Dominic	100	–	–	–	100
Chan Yee Hoi, Robert	100	–	–	–	100
Non-executive directors:					
Lim Ghee	–	220	–	–	220
Cheong Hooi Kheng*	–	96	–	4	100
	<u>300</u>	<u>2,260</u>	<u>–</u>	<u>18</u>	<u>2,578</u>

\* Ms. Cheong Hooi Kheng's directorship is alternate to Madam Lim Ghee.

For the year ended 31 December 2007, the above emoluments do not include the monetary value of the rent-free accommodation provided to Mr. Cheong Pin Chuan, Patrick, an executive director of the Company, through a property owned by the Group. The monetary value of such residential accommodation provided to this executive director based on the tenancy agreements entered into by the Group was HK\$420,000.

**8. INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, one (2007: two) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2007: three) individuals are as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Salaries and other emoluments	968	3,698
Compensation for loss of office	21	–
Discretionary bonuses	–	570
Retirement scheme contributions	42	21
	<u>1,031</u>	<u>4,289</u>

The emoluments of the four (2007: three) individuals with the highest emoluments are within the following bands:

	<b>2008</b> <i>Number of individuals</i>	<b>2007</b> <i>Number of individuals</i>
Nil – HK\$1,000,000	4	1
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	1

**9. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY**

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK\$1,066,000 (2007: HK\$300,345,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(1,066)	(300,345)
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	<u>–</u>	<u>163,800</u>
Company's loss for the year ( <i>note 25(b)</i> )	<u>(1,066)</u>	<u>(136,545)</u>

## 10. DIVIDEND

	2008 HK\$'000	2007 HK\$'000
Distribution in specie ( <i>note</i> )	–	<u>1,731,047</u>

*Note:* Pursuant to the group reorganization (the “Group Reorganization”) as detailed in note 30 below, the Company distributed all of the ordinary shares of HK\$0.05 each held in the issued share capital of Hong Fok Land International Limited (“HF Land”), a company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of the Company before 1 August 2007, in specie out of its credit arising from the Company’s retained profits and contributed surplus to the equity shareholders of the Company whose names appeared on the Register of Members of the Company at the close of business day on 25 July 2007 on a one for one basis.

	2007 HK\$'000
<b>Net assets of HF Land and its subsidiaries (the “HF Land Group”) distributed:</b>	
Fixed assets	1,759,008
Interest in an associate	647,072
Pledged bank deposits	671
Trade and other receivables	7,036
Inventories	12,500
Tax recoverable	73
Cash and cash equivalents	6,996
Trade and other payables	(13,238)
Bank borrowings	(430,700)
Amount due to a subsidiary of the Company	(1,069)
Deferred tax liabilities	(251,790)
Deferred income	<u>(5,512)</u>
Net assets distributed to the equity shareholders of the Company	<u>(1,731,047)</u>
<b>Analysis of net cash outflow in respect of the distribution in specie</b>	
Cash and cash equivalents distributed	<u>(6,996)</u>

The directors of the Company do not recommend the payment of a final dividend in respect of the year (2007: Nil).

## 11. EARNINGS/(LOSS) PER SHARE

## a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$39,795,000 (2007: loss of HK\$312,270,000) and the weighted average number of 2,392,410,986 (2007: 1,869,671,260) ordinary shares in issue during the year.

## b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company does not have dilutive potential ordinary shares for the year ended 31 December 2008 (2007: the exercise of the Company’s outstanding share options for the year ended 31 December 2007 would result in a decrease in loss per share).

## 12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

**Business segments**

The Group comprises the following main business segments:

Property investment and management: the leasing of properties to generate rental income and to gain from the appreciation in the properties values in the long term, and provision of building management services.

Property construction and development: the development, construction and sale of properties, and project management.

Horticultural services: the provision of horticultural services.

	Property investment and management		Property construction and development		Horticultural services		Inter-segment elimination		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	289	13,111	44,740	12,919	3,504	3,309	-	-	-	-	48,533	29,339
Inter-segment revenue	-	420	6,425	20,405	9	6	(6,482)	(20,831)	48	-	-	-
Other revenue from external customers	8	30	39	29	3	5	-	-	82	101	132	165
<b>Total</b>	<b>297</b>	<b>13,561</b>	<b>51,204</b>	<b>33,353</b>	<b>3,516</b>	<b>3,320</b>	<b>(6,482)</b>	<b>(20,831)</b>	<b>130</b>	<b>101</b>	<b>48,665</b>	<b>29,504</b>
Segment result	74,508	20,970	(20,955)	19,954	691	178	(6,482)	(20,831)	(13,314)	(25,190)	34,448	(4,919)
Unallocated operating income and expenses											21	137
Profit/(loss) from operations											34,469	(4,782)
Finance costs											(179)	(13,490)
Share of profit of an associate	-	28,145	-	-	-	-	-	-	-	-	-	28,145
Impairment loss on goodwill	-	-	-	(321,122)	-	-	-	-	-	-	-	(321,122)
Income tax											5,505	(1,021)
<b>Profit/(loss) for the year</b>											<b>39,795</b>	<b>(312,270)</b>
Depreciation and amortisation for the year	-	96	3	83	65	65						

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	<b>Property investment and management</b>		<b>Property construction and development</b>		<b>Horticultural services</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	355,646	273,624	97,571	167,376	973	1,005	454,190	442,005
Unallocated assets							<u>6,659</u>	<u>7,974</u>
Total assets							<u>460,849</u>	<u>449,979</u>
Segment liabilities	128,409	124,911	7,795	40,144	96	221	136,300	165,276
Unallocated liabilities							<u>4,765</u>	<u>4,054</u>
Total liabilities							<u>141,065</u>	<u>169,330</u>
Capital expenditure incurred during the year	6,499	23,055	29	451,508	8	4		

**Geographical segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	<b>Hong Kong</b>		<b>Singapore</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	3,793	16,557	44,740	12,782	48,533	29,339
Other revenue from external customers	121	153	11	12	132	165
Segment assets	363,433	282,758	97,416	167,221	460,849	449,979
Capital expenditure incurred during the year	<u>8,076</u>	<u>23,276</u>	<u>29</u>	<u>451,508</u>	<u>8,105</u>	<u>474,784</u>

## 13. FIXED ASSETS

## a) The Group

	Buildings held for own use carried at fair value HK\$'000	Furniture, equipment and other fixed assets HK\$'000	Sub-total HK\$'000	Investment property HK\$'000	Property held for future development HK\$'000	Interests in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
<b>Cost or valuation:</b>							
At 1 January 2007	400	13,551	13,951	1,994,320	183,400	600	2,192,271
Exchange adjustments	–	74	74	–	–	–	74
Additions							
– through acquisition of subsidiaries	–	642	642	–	–	–	642
– others	–	313	313	22,980	–	–	23,293
Disposal	–	(479)	(479)	–	–	–	(479)
Distribution in specie	–	(9,269)	(9,269)	(1,758,153)	(183,400)	–	(1,950,822)
Surplus on revaluation	40	–	40	–	–	–	40
Less: elimination of accumulated depreciation	(10)	–	(10)	–	–	–	(10)
Fair value adjustment	–	–	–	14,173	–	–	14,173
At 31 December 2007	<u>430</u>	<u>4,832</u>	<u>5,262</u>	<u>273,320</u>	<u>–</u>	<u>600</u>	<u>279,182</u>
<b>Representing:</b>							
Cost	–	4,832	4,832	–	–	600	5,432
Valuation – 2007	<u>430</u>	<u>–</u>	<u>430</u>	<u>273,320</u>	<u>–</u>	<u>–</u>	<u>273,750</u>
	<u>430</u>	<u>4,832</u>	<u>5,262</u>	<u>273,320</u>	<u>–</u>	<u>600</u>	<u>279,182</u>
At 1 January 2008	430	4,832	5,262	273,320	–	600	279,182
Exchange adjustments	–	(7)	(7)	–	–	–	(7)
Additions	–	1,606	1,606	6,499	–	–	8,105
Disposal	–	(67)	(67)	–	–	–	(67)
Deficit on revaluation	(9)	–	(9)	–	–	–	(9)
Less: elimination of accumulated depreciation	(11)	–	(11)	–	–	–	(11)
Fair value adjustment	–	–	–	75,501	–	–	75,501
At 31 December 2008	<u>410</u>	<u>6,364</u>	<u>6,774</u>	<u>355,320</u>	<u>–</u>	<u>600</u>	<u>362,694</u>
<b>Representing:</b>							
Cost	–	6,364	6,364	–	–	600	6,964
Valuation – 2008	<u>410</u>	<u>–</u>	<u>410</u>	<u>355,320</u>	<u>–</u>	<u>–</u>	<u>355,730</u>
	<u>410</u>	<u>6,364</u>	<u>6,774</u>	<u>355,320</u>	<u>–</u>	<u>600</u>	<u>362,694</u>

	Buildings held for own use carried at fair value <i>HK\$'000</i>	Furniture, equipment and other fixed assets <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Investment property <i>HK\$'000</i>	Property held for future development <i>HK\$'000</i>	Interests in leasehold land held for own use under operating leases <i>HK\$'000</i>	Total fixed assets <i>HK\$'000</i>
<b>Accumulated depreciation:</b>							
At 1 January 2007	–	9,266	9,266	–	183,400	136	192,802
Exchange adjustments	–	42	42	–	–	–	42
Charge for the year	10	1,048	1,058	–	–	12	1,070
Distribution in specie	–	(8,414)	(8,414)	–	(183,400)	–	(191,814)
Written back on disposal	–	(356)	(356)	–	–	–	(356)
Elimination on revaluation	(10)	–	(10)	–	–	–	(10)
At 31 December 2007	–	1,586	1,586	–	–	148	1,734
At 1 January 2008	–	1,586	1,586	–	–	148	1,734
Exchange adjustments	–	(8)	(8)	–	–	–	(8)
Charge for the year	11	1,125	1,136	–	–	12	1,148
Written back on disposal	–	(45)	(45)	–	–	–	(45)
Elimination on revaluation	(11)	–	(11)	–	–	–	(11)
At 31 December 2008	–	2,658	2,658	–	–	160	2,818
<b>Net book value:</b>							
At 31 December 2008	410	3,706	4,116	355,320	–	440	359,876
At 31 December 2007	430	3,246	3,676	273,320	–	452	277,448

- a) All investment properties of the Group were revalued as at 31 December 2008 and 31 December 2007 at their open market value by reference to recent market transactions of comparable properties. The valuations were carried out by an independent firm of Surveyors, DTZ Debenham Tie Leung Limited (2007: CB Richard Ellis Limited), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.
- b) The buildings held by the Group for own use were revalued as at 31 December 2008 and 31 December 2007 at their open market value by reference to recent market transactions of comparable properties. The valuations were carried out by an independent firm of Surveyors, DTZ Debenham Tie Leung Limited (2007: CB Richard Ellis Limited), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The revaluation deficit of HK\$9,000 (2007: surplus of HK\$40,000) has been transferred to the income statement of the Group.

Had these buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been HK\$512,000 (2007: HK\$531,000).

- c) The analysis of net book value of properties is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong		
– long leases	355,000	273,000
– medium-term leases	<u>1,170</u>	<u>1,202</u>
	356,170	274,202
Representing:		
Buildings held for own use carried at fair value	410	430
Investment property	355,320	273,320
Interests in leasehold land held for own use under operating leases	<u>440</u>	<u>452</u>
	<u><u>356,170</u></u>	<u><u>274,202</u></u>

- d) Included in investment property in the consolidated balance sheet as at 31 December 2008 is an investment property of approximately HK\$355,000,000 (2007: HK\$273,000,000) under the redevelopment.
- e) As at 31 December 2008, an investment property with a carrying amount of HK\$355,000,000 (2007: HK\$273,000,000) were pledged as collateral for the Group's bank borrowings, details of which are set out in note 21.

#### 14. GOODWILL

	<b>The Group</b>
	<i>HK\$'000</i>
<b>Cost:</b>	
Additions arising from acquisition of subsidiaries ( <i>note 30</i> ) during the year ended 31 December 2007	321,122
<b>Accumulated impairment losses:</b>	
Impairment loss for the year ended 31 December 2007	<u>(321,122)</u>
<b>Carrying amount:</b>	
At 31 December 2008	<u><u>–</u></u>
At 31 December 2007	<u><u>–</u></u>

On 1 August 2007, the Group acquired a 100% equity interest in Goldease Investments Limited and its subsidiaries (collectively, the "Goldease Group") at a consideration of HK\$451,491,000, of which HK\$23,991,000 was settled by cash and the remaining balance was settled by the issue of 900 million new shares of the Company to Hong Fok Corporation Limited ("HFC"), which was the controlling shareholder holding an approximately 40.4% interest in the Company before 1 August 2007 and which became the ultimate holding company of the Company on 1 August 2007. Further details of this acquisition are set out in note 30.

#### Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill arose from the acquisition of the Goldease Group. The Goldease Group's operating business is property development in the Republic of Singapore.

Goodwill acquired has been allocated to the cash generating unit (“CGU”) of the Goldease Group. The recoverable amount of the CGU is determined based on net assets’ fair value of the Goldease Group. The net assets of the Goldease Group mainly consist of properties, which fair values are determined at their open market value by reference to recent market transactions of comparable properties. Due to the fact that such goodwill arose principally as a result of the unexpected fluctuation in the share price of the Company’s shares at the date of acquisition and, by reference to the HKFRS 3 “Business Combinations”, the closing price of the Company’s shares on that day was used as a proxy for the fair price of the Company’s 900 million new shares for the purpose of calculating the goodwill arising from the acquisition of the Goldease Group, the net assets’ fair value of the Goldease Group is lower than the carrying amount of CGU and accordingly, an impairment loss of HK\$321,122,000 was recognised for the year ended 31 December 2007.

#### 15. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Unlisted shares, at cost	<u>1</u>	<u>1</u>

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Particulars of issued and paid-up capital	<u>Proportion of ownership interests</u>			Principal activity
			Group’s effective interest	Held by the Company	Held by a subsidiary	
Arundel Trading Pte Ltd.*	The Republic of Singapore (“Singapore”)	2 ordinary shares of S\$1 each	100%	–	100%	Property development
Cheung Kee Garden Limited	Hong Kong	100 ordinary shares of HK\$1 each and 450,000 non-voting deferred shares of HK\$1 each	100%	–	100%	Investment holding and provision of horticultural services
Donwin Property Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	–	100%	Property investment
Firth Enterprises Pte Ltd.*	Singapore	2 ordinary shares of S\$1 each	100%	–	100%	Property development
Fort Property Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	–	100%	Provision of management services

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Name of company	Place of incorporation and operation	Particulars of issued and paid-up capital	Proportion of ownership interests			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Goldease Investments Limited*	British Virgin Islands	1 ordinary share of US\$1	100%	–	100%	Investment holding
Hong Fok Development (Newton) Pte. Ltd.*	Singapore	1,000,000 ordinary shares of S\$1 each	100%	–	100%	Property development
Sui Chong Finance Limited	Hong Kong	2 ordinary shares of HK\$10 each	100%	–	100%	Provision of financing and management services
Sui Chong International (H.K.) Limited	Hong Kong	2 ordinary shares of HK\$10 each	100%	–	100%	Property investment
Sui Chong International Resources Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100%	–	100%	Provision of property management and project management services
Super Homes Limited	Hong Kong	100 ordinary shares of HK\$1 each and 100 non-voting deferred shares of HK\$0.3 each	100%	–	100%	Property Investment
Vision Capital Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	–	100%	Investment holding

\* Audited by other auditor

## 16. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale unlisted equity securities at fair value	1,610	1,990
Loan to a fellow subsidiary ( <i>note (i)</i> )	–	54
Loan receivable ( <i>note (ii)</i> )	–	490
	1,610	2,534

*Note:*

(i) Loan to a fellow subsidiary was unsecured, non-interest-bearing and not repayable within one year. The loan was settled in full during the year ended 31 December 2008.

(ii) Loan receivable from a director of a subsidiary:

Name of borrower	Mr. Tsui Yeung Kun, Andrew
Position	Director of a subsidiary
Terms of the loan	
– duration and repayment terms	Repayment on 31 August 2010
– loan amount	HK\$990,000
– interest rate	2% per annum over Hong Kong Interbank Offered Rate
– security	None
Balance of the loan	
– at 1 January 2007	HK\$990,000
– at 31 December 2007 and 1 January 2008	HK\$490,000
– at 31 December 2008	–
Maximum balance outstanding	
– during 2008	HK\$490,000
– during 2007	HK\$990,000

There was no amount due but unpaid, nor any provision made against the principal amount of or interest on this loan at 31 December 2008 and 2007. The loan receivable was settled in full during the year ended 31 December 2008.

## 17. INVENTORIES

- a) Inventories in the consolidated balance sheet comprise:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Plants	243	260
Properties held for sale	<u>94,288</u>	<u>160,705</u>
	<u><u>94,531</u></u>	<u><u>160,965</u></u>

All of the inventories are expected to be recovered within one year.

At 31 December 2008, inventories of HK\$94,288,000 (2007: Nil) were carried at fair value less cost to sell.

- b) The analysis of carrying value of properties held for sale is as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Outside Hong Kong – Freehold	<u>94,288</u>	<u>160,705</u>

- c) The analysis of the amount of inventories recognised as an expense is as follows:

	<b>Plants</b>		<b>Properties</b>		<b>Total</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Carrying amount of inventories sold	513	511	41,125	11,994	41,638	12,505
Write-down of inventories	<u>–</u>	<u>–</u>	<u>25,908</u>	<u>–</u>	<u>25,908</u>	<u>–</u>
	<u><u>513</u></u>	<u><u>511</u></u>	<u><u>67,033</u></u>	<u><u>11,994</u></u>	<u><u>67,546</u></u>	<u><u>12,505</u></u>

- d) As at 31 December 2008 and 2007, certain of the Group's properties held for sale were pledged as collateral for the Group's bank borrowings, details of which are set out in note 21(ii).

## 18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from a subsidiary	–	–	207,567	209,379
Trade debtors	498	506	–	–
Other debtors	<u>321</u>	<u>1,464</u>	<u>–</u>	<u>–</u>
Loans and receivables	819	1,970	207,567	209,379
Deposits and prepayments	<u>1,522</u>	<u>1,559</u>	<u>372</u>	<u>368</u>
	<u>2,341</u>	<u>3,529</u>	<u>207,939</u>	<u>209,747</u>

The amount due from a subsidiary is unsecured, non-interest-bearing and has no fixed terms of repayment.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

## (a) Ageing analysis

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Within 1 month	342	366
1 to 3 months	150	139
More than 3 months but less than 12 months	<u>6</u>	<u>1</u>
	<u>498</u>	<u>506</u>

The Group's credit policy is set out in note 26(a).

## (b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
At 1 January	–	–
Impairment loss recognised	–	97
Uncollectible amounts written off	<u>–</u>	<u>(97)</u>
At 31 December	<u>–</u>	<u>–</u>

## (c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	342	366
Less than 1 month past due	142	122
More than 1 month past due	14	18
	<u>156</u>	<u>140</u>
	<u>498</u>	<u>506</u>

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

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

## 19. CASH AND CASH EQUIVALENTS

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions	2,489	5,494	6	7
Cash on hand	1	1	–	–
	<u>2,490</u>	<u>5,495</u>	6	7
Pledged bank deposits for bank borrowings	(4)	(10)	–	–
Cash and cash equivalents in the balance sheets and the consolidated cash flow statement	<u>2,486</u>	<u>5,485</u>	<u>6</u>	<u>7</u>

At 31 December 2008, bank balances carry interest at market rates which range from 0.00% to 0.01% (2007: 0.00% to 1.50%). At 31 December 2008, pledged bank deposits carry interest rate of 0.00% (2007: 0.00% to 0.25%). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

## 20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	99	311	–	–
Other creditors and accrued charges	4,487	5,151	517	1,260
Amount due to the ultimate holding company (note 29(b))	152	6	–	–
Amount due to a related company (note 29(b))	2,997	2,489	–	–
Financial liabilities measured at amortised cost	7,735	7,957	517	1,260
Retentions payable	1,847	1,809	–	–
Forward sales deposits and instalments received	–	1,302	–	–
Deposits received	355	489	–	–
	<u>9,937</u>	<u>11,557</u>	<u>517</u>	<u>1,260</u>

All of the trade and other payables, apart from the retentions payable, are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Within 1 month	32	108
After 1 month but within 3 months	37	5
After 3 months but within 6 months	6	20
After 6 months but within 12 months	–	34
Over 1 year	24	144
	<u>99</u>	<u>311</u>

## 21. BANK BORROWINGS

At 31 December 2008, the bank borrowings were repayable as follows:

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year or on demand as classified under current liabilities	235	–
After 1 year but within 2 years	128,248	–
After 2 years but within 5 years	2,058	150,829
After 5 years	–	–
After 1 year and classified under non-current liabilities	130,306	150,829
	<u>130,541</u>	<u>150,829</u>

At 31 December 2008, the bank borrowings were secured as follows:

	<b>The Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan		
– Secured	129,617	150,829
– Unsecured	924	–
	<u>130,541</u>	<u>150,829</u>

At 31 December 2008, the bank facilities of certain subsidiaries were secured by:

- i) fixed charges over an investment property of the Group situated in Hong Kong with carrying value of HK\$355,000,000 (2007: HK\$273,000,000);
- ii) fixed charges over certain of the Group's properties situated in Singapore with an aggregate carrying value of HK\$73,578,000 (2007: HK\$129,919,000);
- iii) assignment of insurance, sale and rental proceeds of the aforementioned properties situated in Hong Kong and Singapore;
- iv) charges over certain of the Group's bank deposits of HK\$4,000 (2007: HK\$10,000);
- v) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Group in favour of the banks;
- vi) floating charges over the assets of Super Homes Limited ("SHL"), a subsidiary of the Group;
- vii) share mortgages over the entire issued share capital of SHL; and
- viii) corporate guarantees given by the Company.

At 31 December 2008, the effective interest rates for the floating rate bank borrowings range from 1.09% to 5% (2007: 3.7% to 4.47%) per annum.

Except for bank borrowings of HK\$1,617,000 (2007: HK\$26,829,000) denominated in Singapore dollars, all the remaining bank borrowings are denominated in Hong Kong dollars.

The bank borrowings are floating rate borrowings which carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.79% or Hong Kong Dollars Prime Lending Rate (2007: HIBOR plus 0.79%) except for the bank borrowings denominated in Singapore Dollars which carry interest at Lender’s Cost of Funds plus 1.5% (2007: Lender’s Cost of Funds plus 1.35%).

## 22. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

## 23. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 15 April 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company. The options vest from the date of grant and are then exercisable within a period of not more than ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The number and weighted average exercise price of share options are as follows:

	2008		2007	
	Weighted average exercise price	Number of options <i>'000</i>	Weighted average exercise price	Number of options <i>'000</i>
Outstanding at the beginning of the year	–	–	HK\$0.377	53,040
Cancelled during the year	–	–	HK\$0.377	(53,040)
Outstanding at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

The options outstanding at 1 January 2007 had an exercise price of HK\$0.377 and a weighted average remaining contractual life of 5.3 years.

By a resolution passed at the meeting of the board of directors of the Company held on 20 June 2007, all of the options outstanding at 18 June 2007 were cancelled.

## 24. INCOME TAX IN THE BALANCE SHEET

a) Income tax in the consolidated balance sheet represents:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Tax recoverable for the payment of provisional Hong Kong Profits Tax	<u>1</u>	<u>8</u>
Balance of Singapore Income Tax provision for the year	<u>504</u>	<u>856</u>

## b) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	<b>The Group</b>		
	<b>Revaluation of investment property</b> <i>HK\$'000</i>	<b>Fair value adjustment for properties held for sale</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Deferred tax arising from:			
At 1 January 2007	250,700	–	250,700
Through acquisition of subsidiaries	–	5,588	5,588
Distribution in specie	(251,790)	–	(251,790)
Exchange alignment	–	275	275
Charged/(credited) to profit or loss	<u>1,530</u>	<u>(517)</u>	<u>1,013</u>
At 31 December 2007	<u>440</u>	<u>5,346</u>	<u>5,786</u>
At 1 January 2008	440	5,346	5,786
Exchange alignment	–	89	89
Credited to profit or loss	(415)	(5,352)	(5,767)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	<u>(25)</u>	<u>–</u>	<u>(25)</u>
At 31 December 2008	<u>–</u>	<u>83</u>	<u>83</u>

	<b>The Group</b>	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net deferred tax liabilities recognised on the consolidated balance sheet	<u>83</u>	<u>5,786</u>

## c) Deferred tax assets not recognised

## (i) The Group

In accordance with the accounting policy set out in note 1(q), at 31 December 2008, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$368,555,000 (2007: HK\$357,252,000) as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and for the respective entity. The tax losses do not expire under current tax legislation.

## (ii) The Company

At 31 December 2008, the Company has cumulative tax losses of HK\$12,752,000 (2007: HK\$11,793,000) available for set-off against future taxable profits for an unlimited period of time. No deferred tax asset has been recognised in respect of such cumulative tax losses as it is not probable that future taxable profits against which the tax losses can be utilized will be available in the relevant tax jurisdiction and such tax losses are subject to the agreement with the tax authority.

## 25. CAPITAL AND RESERVES

## a) The Group

Note	Attributable to equity shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2007	74,620	196,873	121	618,098	8,911	(102,892)	832	1,087,727	1,884,290	-	1,884,290
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	5,570	-	-	5,570	-	5,570
Change in fair value of available-for-sale securities	-	-	-	-	-	-	380	-	380	-	380
Share of movements in reserves of an associate	-	-	-	-	-	6,171	55	-	6,226	-	6,226
Cancellation of share premium	-	(196,873)	-	196,873	-	-	-	-	-	-	-
Realisation of reserve upon distribution in specie	-	-	-	-	-	103,027	(627)	(102,400)	-	-	-
Shares issued for acquisition of subsidiaries	45,000	-	-	382,500	-	-	-	-	427,500	-	427,500
Cancellation of share options	-	-	-	-	(8,911)	-	-	8,911	-	-	-
Loss for the year	-	-	-	-	-	-	-	(312,270)	(312,270)	-	(312,270)
Distribution in specie	10	-	-	(1,197,471)	-	-	-	(533,576)	(1,731,047)	-	(1,731,047)
At 31 December 2007	119,620	-	121	-	-	11,876	640	148,392	280,649	-	280,649

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Attributable to equity shareholders of the Company											
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Share-based compensation reserve	Exchange reserve	Fair value reserve	Retained profits	Total	Minority interests	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	119,620	-	121	-	-	11,876	640	148,392	280,649	-	280,649
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	(280)	-	-	(280)	-	(280)
Changes in fair value of available-for-sale securities	-	-	-	-	-	-	(380)	-	(380)	-	(380)
Profit for the year	-	-	-	-	-	-	-	39,795	39,795	-	39,795
At 31 December 2008	<u>119,620</u>	<u>-</u>	<u>121</u>	<u>-</u>	<u>-</u>	<u>11,596</u>	<u>260</u>	<u>188,187</u>	<u>319,784</u>	<u>-</u>	<u>319,784</u>

**b) The Company**

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Share-based compensation reserve	Accumulated losses	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	74,620	196,873	121	1,386,571	8,911	(18,509)	1,648,587
Cancellation of share options	-	-	-	-	(8,911)	8,911	-
Loss for the year	-	-	-	-	-	(136,545)	(136,545)
Share issued for acquisition of subsidiaries	45,000	-	-	382,500	-	-	427,500
Cancellation of share premium	-	(196,873)	-	196,873	-	-	-
Distribution in specie	<i>10</i>	-	-	(1,731,047)	-	-	(1,731,047)
At 31 December 2007	<u>119,620</u>	<u>-</u>	<u>121</u>	<u>234,897</u>	<u>-</u>	<u>(146,143)</u>	<u>208,495</u>
At 1 January 2008	119,620	-	121	234,897	-	(146,143)	208,495
Loss for the year	-	-	-	-	-	(1,066)	(1,066)
At 31 December 2008	<u>119,620</u>	<u>-</u>	<u>121</u>	<u>234,897</u>	<u>-</u>	<u>(147,209)</u>	<u>207,429</u>

## c) Share capital

i) *Authorised and issued share capital*

	2008		2007	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each	3,000,000	150,000	3,000,000	150,000
Ordinary shares, issued and fully paid:				
At 1 January	2,392,411	119,620	1,492,411	74,620
Shares issued for acquisition of subsidiaries	–	–	900,000	45,000
At 31 December	<u>2,392,411</u>	<u>119,620</u>	<u>2,392,411</u>	<u>119,620</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii) *Increase in authorised share capital*

By an ordinary resolution passed at the special general meeting held on 25 July 2007, the Company's authorised ordinary share capital was increased to HK\$150,000,000 by the creation of an additional 1,000,000,000 ordinary shares of HK\$0.05 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

iii) *Shares issued for the acquisition of subsidiaries*

On 1 August 2007, the Company issued 900,000,000 new shares as part of the consideration payable for the acquisition of subsidiaries as set out in note 30.

## d) Nature and purpose of reserves

i) *Share premium and capital redemption reserve*

The application of the share premium account and capital redemption reserve is governed by the Bermuda Companies Act.

By a special resolution passed at the special general meeting held on 25 July 2007, the entire amount standing to the credit of the share premium account of the Company as at 25 July 2007 was cancelled. The credit arising from the cancellation of share premium was applied for the purpose of the distribution in specie as disclosed in note 10.

ii) *Contributed surplus*

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium accounts of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

*iii) Share-based compensation reserve*

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 1(p)(ii).

*iv) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

*v) Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in notes 1(f) and (j).

**e) Distributability of reserves**

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$87,688,000 (2007: HK\$88,754,000).

**f) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables) less cash and cash equivalents. Capital comprises all components of equity.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the net debt-to-capital ratio at below 60%.

The net debt-to-capital ratio at 31 December 2008 and 2007 was as follows:

		The Group		The Company	
		2008	2007	2008	2007
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities:					
Trade and other payables	20	9,937	11,557	517	1,260
Bank borrowings	21	<u>235</u>	<u>–</u>	<u>–</u>	<u>–</u>
		10,172	11,557	517	1,260
Non-current liabilities:					
Bank borrowings	21	130,306	150,829	–	–
Loan from a fellow subsidiary		<u>–</u>	<u>302</u>	<u>–</u>	<u>–</u>
Total debt		140,478	162,688	517	1,260
Less: Cash and cash equivalents	19	<u>(2,486)</u>	<u>(5,485)</u>	<u>(6)</u>	<u>(7)</u>
Net debt		<u>137,992</u>	<u>157,203</u>	<u>511</u>	<u>1,253</u>
Capital	25	<u>319,784</u>	<u>280,649</u>	<u>207,429</u>	<u>208,495</u>
Net debt-to-capital ratio		<u>43%</u>	<u>56%</u>	<u>1%</u>	<u>1%</u>

As imposed by a bank loan agreement between a bank and a subsidiary of the Company, the Group is required to maintain the ratio of “consolidated net total interest bearing debts” to “consolidated tangible net worth” not exceeding 80%. For the purpose of this capital requirement, “consolidated net total interest bearing debts” is defined as the aggregate of interest bearing borrowings less the aggregate of cash and cash equivalent balance of the Group and “consolidated tangible net worth” is defined as the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company plus share premium, retained earnings or reserves less the intangible assets and minority interests of the Group.

Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES****a) Financial risk factor**

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. These risks are mitigated by the Group's financial management policies and practices described below.

*i) Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables and cash at bank. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The Group grants a credit period of not more than 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Cash is placed with financial institution with good credit rating.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group has no significant concentration of credit risk, with exposure spread over a number of customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, after deducting any impairment allowance. Apart from that as disclosed in Note 28(b), the Group does not provide any guarantees to external third parties which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

*ii) Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	The Group									
	2008					2007				
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Bank borrowings	130,541	(133,263)	(1,484)	(129,135)	(2,644)	150,829	(167,974)	(6,535)	(33,282)	(128,157)
Creditors and accrued charges	6,788	(6,788)	(4,941)	-	(1,847)	9,062	(9,062)	(7,253)	-	(1,809)
Amount due to the ultimate holding company	152	(152)	(152)	-	-	6	(6)	(6)	-	-
Amount due to related companies	2,997	(2,997)	(2,997)	-	-	2,489	(2,489)	(2,489)	-	-
Loan from a fellow subsidiary	-	-	-	-	-	302	(358)	(11)	(11)	(336)
	<u>140,478</u>	<u>(143,200)</u>	<u>(9,574)</u>	<u>(129,135)</u>	<u>(4,491)</u>	<u>162,688</u>	<u>(179,889)</u>	<u>(16,294)</u>	<u>(33,293)</u>	<u>(130,302)</u>

	The Company					
	2008			2007		
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
Creditors and accrued charges	<u>517</u>	<u>(517)</u>	<u>(517)</u>	<u>1,260</u>	<u>(1,260)</u>	<u>(1,260)</u>

iii) *Interest rate risk*

The Group's interest rate risk arises primarily from non-current loan receivable, bank borrowings and loan from a fellow subsidiary. The interest rates and maturity information of the Group's non-current loan receivable, bank borrowings and loan from the fellow subsidiary are disclosed in notes 16, 21 and 29(b)(ii) respectively.

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 1 percentage in interest rates, with all other variables held constant, would decrease/increase the Group's result after tax and retained profits by approximately HK\$21,000 (2007: HK\$259,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The 1 percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

iv) *Currency risk*

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's exposure to currency risk is insignificant.

b) **Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out above.

i) *Securities*

Fair value for the unquoted equity investments are estimated using the applicable fair value measurement of the relevant assets and liabilities of the investee.

ii) *Interest-bearing loans and borrowings*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

**27. COMMITMENTS**

- a) Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for		
– redevelopment cost of investment property	<u>2,736</u>	<u>7,381</u>

- b) Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and properties held for sale are described in notes 13 and 17.

The Group leased out investment property and properties held for sale under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every year to reflect market rentals. None of the leases includes contingent rentals.

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

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

**The Group as lessor**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Within 1 year	1,860	928
After 1 year but within 5 years	<u>1,083</u>	<u>325</u>
	<u><u>2,943</u></u>	<u><u>1,253</u></u>

- (c) Apart from the above leases, the Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of office properties and office equipment are payable as follows:

**The Group as lessee**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Within 1 year	1,903	2,833
After 1 year but within 5 years	<u>180</u>	<u>1,115</u>
	<u><u>2,083</u></u>	<u><u>3,948</u></u>

- d) At 31 December 2008, the Company had no material commitments.

**28. CONTINGENT ASSETS AND LIABILITIES**

As the balance sheet date, the Company issued the following guarantees:

- a) At 31 December 2008, the Company had given unconditional guarantees to banks to secure loan facilities made available to certain wholly-owned subsidiaries to the extent of approximately HK\$318 million (2007: HK\$237 million). The extent of such facilities utilized by these subsidiaries at the balance sheet date amounted to approximately HK\$130 million (2007: HK\$151 million).
- b) At 31 December 2008, the Company had given corporate guarantees to a bank for issuing letters of indemnity to third parties in respect of contracts undertaken by a wholly-owned subsidiary to the extent of approximately HK\$268,000 (2007: HK\$268,000).

The Company has not recognised any deferred income in respect of the above guarantees issued because the fair value of these guarantees was insignificant. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

## 29. MATERIAL RELATED PARTY TRANSACTIONS

## a) Key management personnel remuneration

All members of key management personnel are the directors of the Company, and the remuneration for them is disclosed in note 7.

## b) Financing arrangements

	Note	Amounts owed by related parties		Amounts owed to related parties		Related interest (expenses)/income	
		As at 31 December		As at 31 December		Year ended 31 December	
		2008	2007	2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to a related company	(i)	–	–	2,997	2,489	–	–
Due to the ultimate holding company	(i)	–	–	152	6	–	–
Loan from a fellow subsidiary	(ii)	–	–	–	302	–	(2)
Loan to a fellow subsidiary	(i), (iii)	–	54	–	–	–	–
Loan to a director of a subsidiary	(iii), (iv)	–	490	–	–	–	39

## Notes:

- i) The outstanding balances with these related parties are unsecured, interest-free and have no fixed repayment terms. The amounts owed to related parties are included in “Trade and other payables” (note 20) and the amount owed by a related party are included in “other non – current financial assets” (note 16).
- ii) The loan from a fellow subsidiary is generally non-trade in nature, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. Interest incurred by the fellow subsidiary on bank borrowings taken to provide financing to this subsidiary is charged to the Company based on utilisation of funds by the subsidiary. The effective interest rate ranges from approximately 3% to 5.8% per annum. The interest rates will be repriced within six months of the balance sheet date.
- iii) No impairment for bad or doubtful debts has been made in respect of these loans.
- iv) Further details of the loan to this individual, being a director of a subsidiary, are disclosed in note 16.

Details of new loans and loans repaid during the period are disclosed in the cash flow statement.

**c) Other related party transactions**

- i) During the year ended 31 December 2007, the Group acquired the entire interest in the Goldease Group from HFC. Further details of this transaction are disclosed in note 30.
- ii) During the year ended 31 December 2008, the Group paid management fee of approximately HK\$7.9 million (2007: HK\$2.7 million) to the HF Land Group for share of administrative expenses. The management fee is determined quarterly between the respective parties after negotiations having regard to the cost of services provided. In the opinion of the Company's directors, this transaction was conducted on normal commercial terms and in the ordinary course of the Group's business.
- iii) During the year ended 31 December 2008, the Group paid to fellow subsidiaries an amount of approximately HK\$1,039,000 (2007: HK\$327,000) for share of office expenses. Fees for share of office expenses were mutually agreed by both parties. In the opinion of the Company's directors, this transaction was conducted on normal commercial terms and in the ordinary course of the Group's business.

**30. GROUP REORGANIZATION AND ACQUISITION OF SUBSIDIARIES****a) Group reorganization**

During the year ended 31 December 2007, the Group underwent a reorganization (the "Group Reorganization"), details of which are set out in the Company's circular dated 30 June 2007 and which was completed on 1 August 2007. Pursuant to the Group Reorganization, the Company distributed all of the ordinary shares of HK\$0.05 each held by it in the issued share capital of Hong Fok Land International Limited ("HF Land"), a company incorporated in Bermuda with limited liability and which was then a wholly-owned subsidiary of the Company before 1 August 2007, in specie out of its credit arising from the Company's retained profits and contributed surplus to the equity shareholders of the Company whose names appeared on the Register of Members of the Company at the close of business on 25 July 2007 on a one for one basis. The assets of HF Land include an approximate 20.2% interest in HFC.

Subsequent to the Group Reorganization:

- (i) the Company continues to be a listed company and the Group excluding the HF Land Group continues carrying on the businesses which include the Group's property related businesses, including the holding of the redevelopment project at 38 Conduit Road in Hong Kong, and the provision of horticultural services;
- ii) the HF Land Group continues carrying on the businesses which includes the Group's previous holding of the properties at 15 and 17 Magazine Gap Road in Hong Kong, certain properties in the PRC and an approximately 20.2% interest in HFC, the Group's previous associate; and
- iii) the HF Land's shares were distributed in specie to the Company's shareholders whose names appeared on the Register of Members of the Company at the close of business on 25 July 2007 on the basis of one HF Land share for each of the Company's shares held.

**b) Acquisition of subsidiaries**

Pursuant to an agreement entered into with HFC, an associate of the Company at the date of the agreement, during the year ended 31 December 2007, the Group acquired the 100% equity interest in the Goldease Group from HFC. The consideration was settled partly in cash and partly by the issue of 900 million new ordinary shares of the Company to HFC after which the latter became the ultimate holding company of the Company.

The acquisition of the entire interest in the Goldease Group had the following effect on the Group's assets and liabilities:

	Carrying values prior to acquisition <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Carrying values upon acquisition <i>HK\$'000</i>
<b>Acquiree's net assets at the date of acquisition</b>			
Fixed assets	642	–	642
Property held for sale	133,123	31,041	164,164
Trade and other receivables	1,671	–	1,671
Cash and cash equivalents	10,847	–	10,847
Trade and other payables	(3,540)	–	(3,540)
Tax payables	(812)	–	(812)
Amount due to the ultimate holding company	(6)	–	(6)
Deferred tax liabilities	–	(5,588)	(5,588)
Bank borrowings	(37,009)	–	(37,009)
Net assets acquired	<u>104,916</u>	<u>25,453</u>	130,369
Goodwill ( <i>note 14</i> )			<u>321,122</u>
			<u>451,491</u>
Satisfied by:			
– Cash consideration			23,991
– 900 million new shares of the Company ( <i>note</i> )			<u>427,500</u>
			<u>451,491</u>
<b>Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:</b>			
Cash consideration			23,991
Less: Cash and cash equivalents acquired			<u>(10,847)</u>
Net outflow of cash and cash equivalents			<u>13,144</u>

*Note:* As part of the consideration for the acquisition of the Goldease Group, 900 million new ordinary shares of the Company with a par value of HK\$0.05 each were issued. The fair value of these 900 million ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK\$427,500,000.

The Goldease Group's loss of approximately HK\$402,000 since the date of acquisition was included in the Group's loss for the year ended 31 December 2007.

If the acquisition had been completed on 1 January 2007, the Group's total revenue for the year ended 31 December 2007 would have been HK\$89,201,000 and loss for the year ended 31 December 2007 would have been HK\$289,456,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

**31. IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

At 31 December 2008, the directors consider the immediate parent and ultimate controlling party of the Company to be HFL International Consortium Limited, which is incorporated in the Cayman Islands with limited liability, and Hong Fok Corporation Limited, which is incorporated with limited liability and listed in the Republic of Singapore, respectively. The immediate parent company does not produce financial statements available for public use while the ultimate controlling party produces financial statements for public use.

**32. ACCOUNTING ESTIMATES AND JUDGEMENTS****Key sources of estimation uncertainty**

Notes 13, 14, and 26 contain information about the assumptions and their risk factors relating to valuation of investment properties, goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

*a) Depreciation*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

*b) Valuation of inventories*

Inventories are stated at the lower of cost and net realizable value at the balance sheet date. Net realizable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realizable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

*c) Allowance for impairment of doubtful debts*

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

*d) Impairment losses for goodwill*

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

*e) Recognition of deferred tax assets*

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

**33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 8, <i>Operating segments</i>	1 January 2009
HKAS 1 (revised 2007), <i>Presentation of financial statements</i>	1 January 2009

### 3. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2009

Set out below are the unaudited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group together with the notes to the financial statements of the Group as extracted from the interim report of the Company for the six months ended 30 June 2009. References to page numbers in this section are made to the page numbers of such interim report of the Company.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Unaudited six months ended 30 June	
		2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	2,883	46,721
Cost of sales		<u>(921)</u>	<u>(44,547)</u>
Gross profit		1,962	2,174
Valuation gains on investment property		101,990	–
Other revenue		1	109
Other net income/(loss)		78	(678)
Operating and administrative expenses		<u>(12,706)</u>	<u>(9,043)</u>
Profit/(loss) from operating activities		91,325	(7,438)
Finance costs	4	<u>(179)</u>	<u>(161)</u>
Profit/(loss) before taxation	5	91,146	(7,599)
Income tax (expense)/credit	6	<u>(9,916)</u>	<u>440</u>
Profit/(loss) for the period		<u>81,230</u>	<u>(7,159)</u>
Attributable to:			
Equity shareholders of the Company		81,230	(7,159)
Minority interests		<u>–</u>	<u>–</u>
		<u>81,230</u>	<u>(7,159)</u>
Basic and diluted earnings/(loss) per share	7	<u>3.40 cents</u>	<u>(0.30 cents)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	81,230	(7,159)
<b>Other comprehensive (loss)/income for the period (after tax and reclassification adjustments):</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	(613)	7,640
Available-for-sale unlisted equity securities: net movement in fair value reserve	(300)	–
	(913)	7,640
<b>Total comprehensive income for the period</b>	<u>80,317</u>	<u>481</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	80,317	481
Minority interests	–	–
<b>Total comprehensive income for the period</b>	<u>80,317</u>	<u>481</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2009</b>	<b>2008</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Investment property	9	464,320	355,320
Other properties, plant and equipment	10	3,535	4,116
Interests in leasehold land held for own use under operating leases		<u>434</u>	<u>440</u>
		468,289	359,876
Pledged bank deposits		4	4
Other financial assets	11	<u>1,310</u>	<u>1,610</u>
		<u>469,603</u>	<u>361,490</u>
<b>Current assets</b>			
Inventories		94,032	94,531
Trade and other receivables	12	16,149	2,341
Tax recoverable		1	1
Cash and cash equivalents		<u>7,632</u>	<u>2,486</u>
		<u>117,814</u>	<u>99,359</u>
Total assets		<u><u>587,417</u></u>	<u><u>460,849</u></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	119,620	119,620
Reserves		<u>280,481</u>	<u>200,164</u>
Total equity attributable to equity shareholders of the Company		400,101	319,784
Minority interests		<u>–</u>	<u>–</u>
Total equity		<u>400,101</u>	<u>319,784</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

		<b>Unaudited 30 June 2009 HK\$'000</b>	<b>Audited 31 December 2008 HK\$'000</b>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Bank borrowings	<i>14</i>	149,177	130,306
Deferred tax liabilities		<u>9,978</u>	<u>83</u>
		<u>159,155</u>	<u>130,389</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	13,499	9,937
Deposits received from disposal of investment property		13,929	–
Deposits received from sale of properties held for sale		198	–
Bank borrowings	<i>14</i>	242	235
Tax payables		<u>293</u>	<u>504</u>
		<u>28,161</u>	<u>10,676</u>
Total liabilities		<u>187,316</u>	<u>141,065</u>
Total equity and liabilities		<u><u>587,417</u></u>	<u><u>460,849</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders of the Company							Total equity (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	
At 1 January 2008	119,620	121	11,876	640	148,392	280,649	–	280,649
Change in equity for the six months ended 30 June 2008:								
Total comprehensive income	–	–	7,640	–	(7,159)	481	–	481
At 30 June 2008 and 1 July 2008	119,620	121	19,516	640	141,233	281,130	–	281,130
Change in equity for the six months ended 31 December 2008:								
Total comprehensive income	–	–	(7,920)	(380)	46,954	38,654	–	38,654
At 31 December 2008	<u>119,620</u>	<u>121</u>	<u>11,596</u>	<u>260</u>	<u>188,187</u>	<u>319,784</u>	<u>–</u>	<u>319,784</u>
At 1 January 2009	119,620	121	11,596	260	188,187	319,784	–	319,784
Change in equity for the six months ended 30 June 2009:								
Total comprehensive income	–	–	(613)	(300)	81,230	80,317	–	80,317
At 30 June 2009	<u>119,620</u>	<u>121</u>	<u>10,983</u>	<u>(40)</u>	<u>269,417</u>	<u>400,101</u>	<u>–</u>	<u>400,101</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(6,673)	34,957
Net cash used in investing activities	(7,053)	(5,956)
Net cash generated from/(used in) financing activities	<u>18,886</u>	<u>(31,796)</u>
Net increase/(decrease) in cash and cash equivalents	5,160	(2,795)
Cash and cash equivalents as 1 January	2,486	5,485
Effect of foreign exchange rate changes	<u>(14)</u>	<u>265</u>
Cash and cash equivalents at 30 June	<u><u>7,632</u></u>	<u><u>2,955</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2009*

**1. BASIS OF PREPARATION**

The interim condensed consolidated financial statements are unaudited, but have been reviewed by the Company's audit committee. The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim condensed consolidated financial statements contain condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim condensed consolidated financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 February 2009.

**2. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. The following of these developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised), *Borrowing costs*
- HKFRS 2, *Share-based payment – vesting conditions and cancellations*
- HK(IFRIC)-Int 15, *Agreements for the construction of real estate*
- HK(IFRIC)-Int 16, *Hedges of a net investment in a foreign operation*

The amendments to HKAS 23 and HKFRS 2 and Interpretations HK(IFRIC)-Int 15 and HK(IFRIC)-Int 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:
  - As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.
  - As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit for loss for any of the periods presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investee, rather than as income. Consequently, as a result, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre-or post-acquisition profits, will be recognised in the Company's profit or loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

### 3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both products and services and geography. On first-time adoption of HKFRS 8, Operating Segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property investment and management: the leasing of properties to generate rental income and to gain from the appreciation in the properties' value in the long term, and the provision of building management services.

Property construction and development: the development, construction and sale of properties, and project management.

Horticultural services: the provision of horticultural services.

#### (a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim condensed consolidated financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payable attributable to the sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at "adjusted EBITDA" the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended (Unaudited)	Property construction and development									
	Property investment and management		Hong Kong		Singapore		Horticultural services		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue from external customers	149	137	–	–	1,099	44,852	1,635	1,732	2,883	46,721
Inter-segment revenue	–	–	4,869	4,653	–	–	17	7	4,886	4,660
Reportable segment revenue	<u>149</u>	<u>137</u>	<u>4,869</u>	<u>4,653</u>	<u>1,099</u>	<u>44,852</u>	<u>1,652</u>	<u>1,739</u>	<u>7,769</u>	<u>51,381</u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u>101,479</u>	<u>(987)</u>	<u>(81)</u>	<u>(401)</u>	<u>366</u>	<u>1,066</u>	<u>365</u>	<u>141</u>	<u>102,129</u>	<u>(181)</u>
Reportable segment assets	478,582	355,646	167	155	97,202	97,416	722	973	576,673	454,190
Additions to non-current segment assets during the period	7,010	6,499	–	–	35	29	–	8	7,045	6,536
Reportable segment liabilities	<u>140,968</u>	<u>128,410</u>	<u>5,334</u>	<u>4,708</u>	<u>23,503</u>	<u>3,087</u>	<u>154</u>	<u>96</u>	<u>169,959</u>	<u>136,301</u>

## (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Unaudited six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Revenue</b>		
Reportable segment revenue	7,769	51,381
Elimination of inter-segment revenue	(4,886)	(4,660)
Consolidated turnover	<u>2,883</u>	<u>46,721</u>
	Unaudited six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Profit/(loss)</b>		
Reportable segment profit/(loss)	102,129	(181)
Elimination of inter-segment profit	(703)	(530)
Reportable segment profit/(loss) derived from group's external customers	101,426	(711)
Other revenue and net income	79	(404)
Depreciation and amortisation	(616)	(524)
Finance costs	(179)	(161)
Unallocated corporate expenses	(9,564)	(5,799)
Consolidated profit/(loss) before taxation	<u>91,146</u>	<u>(7,599)</u>
	Unaudited 30 June 2009 HK\$'000	Unaudited 31 December 2008 HK\$'000
<b>Assets</b>		
Reportable segment assets	576,673	454,190
Other financial assets	1,310	1,610
Unallocated corporate assets	<u>9,434</u>	<u>5,049</u>
Consolidated total assets	<u>587,417</u>	<u>460,849</u>
	Unaudited 30 June 2009 HK\$'000	Unaudited 31 December 2008 HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	169,959	136,301
Current tax liabilities	293	504
Deferred tax liabilities	9,978	83
Unallocated corporate liabilities	<u>7,086</u>	<u>4,177</u>
Consolidated total liabilities	<u>187,316</u>	<u>141,065</u>

## 4. FINANCE COSTS

	Unaudited six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank borrowings	809	1,961
Less: Interest expense capitalized into properties under development*	<u>(630)</u>	<u>(1,800)</u>
	<u>179</u>	<u>161</u>

\* The borrowing costs have been capitalised at a rate of 0.88%-1.18% (2008: 2.04%-4.47%) per annum.

## 5. PROFIT/(LOSS) BEFORE TAXATION

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

	Unaudited six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Depreciation and amortisation	616	524
Cost of inventories	251	43,979
Rental receivable from properties held for sale less direct outgoing of HK\$670,000 (2008: HK\$568,000)	(429)	(83)
Interest income	<u>(1)</u>	<u>(18)</u>

## 6. INCOME TAX

	Unaudited six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current taxation – Singapore Income Tax	(21)	(655)
Deferred taxation – origination and reversal of temporary difference	<u>(9,895)</u>	<u>1,095</u>
Income tax (expense)/credit	<u>(9,916)</u>	<u>440</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the period.

The provision for Singapore Income Tax for 2009 is calculated at 17% (2008: 18%) of normal chargeable income.

**7. EARNINGS/(LOSS) PER SHARE****(a) Basic earnings/(loss) per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of HK\$81,230,000 (2008: loss of HK\$7,159,000) for the period and the weighted average number of 2,392,410,986 (2008: 2,392,410,986) ordinary shares in issue during the period.

**(b) Diluted earnings/(loss) per share**

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company does not have dilutive potential ordinary shares for the six months ended 30 June 2009 and 2008.

**8. INTERIM DIVIDEND**

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

**9. INVESTMENT PROPERTY**

The fair value of the investment property was estimated by the directors.

From about the end of June 2009 to the date of this statement, provisional agreements for sale and purchase of certain units of the investment property under redevelopment were entered into by the Group with independent third parties. The total consideration from the disposal of these units is approximately HK\$588.0 million. As at 30 June 2009, deposits received amounted approximately HK\$13.9 million. Further deposits of approximately HK\$102.6 million will be received in the second half of 2009. Balance payments of approximately HK\$471.5 million will be received after completion of the redevelopment of the investment property.

**10. OTHER PROPERTIES, PLANTS AND EQUIPMENT**

	<b>Unaudited</b> <i>HK\$'000</i>
At 1 January 2009	4,116
Additions	46
Disposal	(12)
Depreciation	(610)
Exchange adjustments	(5)
	<u>3,535</u>
At 30 June 2009	<u><u>3,535</u></u>

**11. OTHER FINANCIAL ASSETS**

	<b>Unaudited</b> <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2008</b> <i>HK\$'000</i>
Available-for-sale unlisted equity securities at fair value	<u>1,310</u>	<u>1,610</u>

## 12. TRADE AND OTHER RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2008</b> <i>HK\$'000</i>
Trade receivables		
Within 1 month	211	342
After 1 month but within 3 months	123	150
More than 3 months but less than 12 months	<u>11</u>	<u>6</u>
Other debtors	<u>345</u> 14,182	<u>498</u> 321
Loans and receivables	14,527	819
Deposits and prepayments	<u>1,622</u>	<u>1,522</u>
	<u>16,149</u>	<u>2,341</u>

The Group's trade receivables are due within 30 days from the date of billing.

## 13. SHARE CAPITAL

	<b>Unaudited</b> <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2008</b> <i>HK\$'000</i>
Authorised:		
3,000,000,000 ordinary shares of HK\$0.05 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
2,392,410,986 ordinary shares of HK\$0.05 each	<u>119,620</u>	<u>119,620</u>

## 14. BANK BORROWINGS

	<b>Unaudited</b> <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2008</b> <i>HK\$'000</i>
Repayable:		
Within 1 year or on demand as classified under current liabilities	----- 242	----- 235
After 1 year but within 2 years	126,584	128,248
After 2 years but within 5 years	<u>22,593</u>	<u>2,058</u>
After 1 year as classified under non-current liabilities	----- 149,177	----- 130,306
	<u>149,419</u>	<u>130,541</u>

## 15. TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2008</b> <i>HK\$'000</i>
Trade payables		
Within 1 month	58	32
After 1 month but within 3 months	15	37
After 3 months but within 6 months	33	6
Over 1 year	<u>26</u>	<u>24</u>
	132	99
Other creditors and accrued charges	5,824	4,487
Amount due to the ultimate holding company	211	152
Amount due to a related company	<u>5,419</u>	<u>2,997</u>
Financial liabilities measured at amortised cost	11,586	7,735
Retentions payable	1,469	1,847
Deposits received	<u>444</u>	<u>355</u>
	<u><u>13,499</u></u>	<u><u>9,937</u></u>

## 16. COMMITMENTS

- (a) Capital commitments outstanding as at 30 June 2009 not provided for in the financial statements were as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2008</b> <i>HK\$'000</i>
Contracted for		
– redevelopment cost of an investment property	<u>98,540</u>	<u>2,736</u>

- (b) The Group leased out properties held for sale under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every year to reflect market rentals. None of the leases includes contingent rentals.

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

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

**The Group as lessor**

	<b>Unaudited 30 June 2009 HK\$'000</b>	<b>Audited 31 December 2008 HK\$'000</b>
Within 1 year	2,384	1,860
After 1 year but within 5 years	<u>524</u>	<u>1,083</u>
	<u><u>2,908</u></u>	<u><u>2,943</u></u>

- (c) Apart from the above leases, the Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

As at 30 June 2009, the total future minimum lease payments under non-cancellable operating leases in respect of office properties and office equipment are payable as follows:

**The Group as lessee**

	<b>Unaudited 30 June 2009 HK\$'000</b>	<b>Audited 31 December 2008 HK\$'000</b>
Within 1 year	2,962	1,903
After 1 year but within 5 years	<u>5,520</u>	<u>180</u>
	<u><u>8,482</u></u>	<u><u>2,083</u></u>

**17. CONTINGENT LIABILITIES**

- (a) As at 30 June 2009, the Company had given unconditional guarantees to banks to secure loan facilities available to subsidiaries to the extent of approximately HK\$317 million (31 December 2008: HK\$318 million). The extent of such facilities utilised by the subsidiaries amounted to approximately HK\$149 million (31 December 2008: HK\$130 million).
- (b) At 30 June 2009, the Company had given corporate guarantees to a bank for issuing letters of indemnity to third parties in respect of contracts undertaken by a subsidiary amounted to approximately HK\$268,000 (31 December 2008: HK\$268,000).

The Company has not recognised any deferred income in respect of the above guarantees issued because the fair value of these guarantees was insignificant. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of guarantees.

**18. MATERIAL RELATED PARTY TRANSACTIONS**

During the six months ended 30 June 2009, the Group had entered into the following material related party transactions:

**a) Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the directors and certain of the highest paid employees, is as follows:

	<b>Unaudited six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	494	228
Post-employment benefits	–	–
	<u>494</u>	<u>228</u>

**b) Financing arrangements**

		<b>Amounts owed to related parties</b>	
		<b>Unaudited 30 June 2009</b>	<b>Audited 31 Dec 2008</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due to a related company	<i>(i), (ii)</i>	5,419	2,997
Due to the ultimate holding company	<i>(i)</i>	<u>211</u>	<u>152</u>

*Notes:*

- i) The outstanding balances with the related company and the ultimate holding company are unsecured, interest free and have no fixed repayment terms.
- ii) The related company is a company in which the executive directors have controlling interest.

**c) Other related party transactions**

- i) During the period ended 30 June 2009, the Group paid management fee of approximately HK\$6.4 million (2008: 3.3 million) to a related company, in which the executive directors have controlling interest, for the Group's share of operating and administrative expenses.
- ii) During the period ended 30 June 2009, the Group paid to fellow subsidiaries an amount of approximately HK\$117,000 (2008: HK\$1,031,000) for the Group's share of general and administrative expenses.

**19. COMPARATIVE FIGURES**

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to confirm to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

#### 4. STATEMENT OF INDEBTEDNESS

##### **Borrowings**

As at the close of business on 31 October 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, the Group had an aggregate outstanding secured bank borrowings of approximately HK\$139,493,000.

##### **Securities and guarantees**

As at 31 October 2009, the secured bank borrowings of approximately HK\$139,493,000 of the Group were secured by:

- i) fixed charges over certain of the Group's properties situated in Hong Kong with carrying amount of approximately HK\$477,220,000;
- ii) fixed charges over certain of the Group's properties situated in Singapore with an aggregate carrying amount of approximately HK\$48,777,000;
- iii) assignment of insurance, sale and rental proceeds of the aforementioned properties situated in Hong Kong and Singapore;
- iv) charges over certain of the Group's bank deposits of approximately HK\$4,000;
- v) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Group in favour of the banks;
- vi) floating charges over the assets of Super Homes;
- vii) share mortgages over the entire issued share capital of Super Homes; and
- viii) corporate guarantees given by the Company.

##### **Contingent liabilities**

###### *(a) Financial guarantees issued*

As at 31 October 2009, the Company had given unconditional guarantees to banks to secure loan facilities made available to certain wholly-owned subsidiaries of the Company to the extent of approximately HK\$313.1 million. The extent of such facilities utilised by these subsidiaries as at 31 October 2009 amounted to approximately HK\$139.5 million.

As at 31 October 2009, the Company had given corporate guarantees to a bank for issuing letters of indemnity to third parties in respect of contracts undertaken by a wholly-owned subsidiary of the Company to the extent of approximately HK\$268,000.

The Company has not recognised any deferred income in respect of the above guarantees issued because the fair value of these guarantees was insignificant. As at 31 October 2009, the Directors do not consider it probable that any claim will be made against the Company under any of the guarantees.

*(b) Contingent liability in respect of a claim*

A subsidiary of the Company was involved in a dispute in connection with the contract for the foundation works on the re-development of residential properties in Hong Kong. As claimed by the contractor, the total expected additional construction cost may amount to approximately HK\$16.19 million. The Company is of the view that the claim is based on unreasonable and invalid grounds and therefore unfounded. The Directors do not believe it probable that this claim will be successful. No provision has therefore been made in respect of this claim.

Except for the aforesaid, the Company does not have any material contingent liabilities as at 31 October 2009.

**Disclaimers**

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2009, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2009, up to and including the Latest Practicable Date.

**5. WORKING CAPITAL**

The Directors are of the opinion that, following completion of the Rights Issue, after taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this prospectus, in the absence of unforeseen circumstances.

**6. MATERIAL ADVERSE CHANGE**

The Directors confirm that there have been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2008 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*For illustrative purposes only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “Unaudited Pro Forma Financial Information”) after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group’s financial results and positions for the financial periods concerned.*

### (A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with Paragraph 4.29 of the Listing Rules to illustrate the effect of the proposed Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2009.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group as at 30 June 2009, as extracted from the published interim report of the Group for the six months ended 30 June 2009 set out in Appendix I to this prospectus, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Company’s equity shareholders as at 30 June 2009 <i>HK\$’000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$’000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Company’s equity shareholders after the completion of the Rights Issue <i>HK\$’000</i>
Based on 239,241,098 Rights Shares to be issued at subscription price of HK\$0.07 per Rights Share	400,101	15,147	415,248
Unaudited consolidated net tangible assets per Share attributable to the Company’s equity shareholders, prior to the completion of the Rights Issue <i>(Note 3)</i>	HK\$0.17		
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the Company’s equity shareholders after the completion of the Rights Issue <i>(Note 4)</i>			HK\$0.16

---

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

*Notes:*

- (1) The unaudited consolidated net tangible assets of the Group attributable to the Company's equity Shareholders as at 30 June 2009 is calculated based on the unaudited consolidated net assets of the Group attributable to the equity shareholders as at 30 June 2009 of approximately HK\$400,101,000 extracted from the published interim report of the Company for the six months ended 30 June 2009 as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$15,147,000 are based on 239,241,098 Rights Shares to be issued (in the proportion of one Rights Share for every ten existing Shares held as at the Record Date which is 2,932,410,986 shares) at the subscription price of HK\$0.07 per Rights Share and after deduction of estimated related expenses of approximately HK\$1,600,000.
- (3) The calculation of unaudited consolidated net tangible assets per Share is based on 2,392,410,986 Shares in issue as at 30 June 2009.
- (4) The calculation of unaudited pro forma adjusted consolidated net tangible assets per Share is based on 2,631,652,084 Shares which comprise 2,392,410,986 Shares in issue as at 30 June 2009 and 239,241,098 Rights Shares to be issued.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2009.

*The following is the text of a comfort letter, prepared for the sole purpose of inclusion in this Prospectus, received from the independent reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong. As described in the paragraph headed “Documents available for inspection” in Appendix IV, a copy of the following comfort letter is available for inspection.*

**(B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****CCIF****CCIF CPA LIMITED**20/F, Sunning Plaza  
10 Hysan Avenue  
Causeway Bay, Hong Kong**ACCOUNTANTS’ REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF WINFOONG INTERNATIONAL LIMITED**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Winfoong International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Section A of Appendix II to the prospectus of the Company dated 7 December 2009 (the “Prospectus”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed rights issue of 239,241,098 rights shares at HK\$0.07 per rights share on the basis of one (1) rights share for every ten (10) shares held on 4 December 2009 (the “Rights Issue”), might have affected the financial information presented therein. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of this Appendix.

**Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is solely the responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2009 or any future date.

**Opinion**

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**CCIF CPA Limited**

*Certified Public Accountants*  
Hong Kong, 7 December 2009

**Yau Hok Hung**

Practising Certificate Number P04911

*Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.*

## **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act, excluding paragraph 8 thereof. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

## **2. BYE-LAWS**

The Bye-laws were adopted on 14 October 1996 and amended at the general meetings held on 30 April 2004, 26 April 2007 and 11 May 2009. The following is a summary of certain provisions of the Bye-laws:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived);  
or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

*(vii) Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the

previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one half of the Directors for the time being (or if their number is not a multiple of two (2), then the number nearest to but not greater than one half) will retire from office by rotation provided that the chairman of the board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board shall hold office only until the next general meeting of Members after his appointment and be subject to re-election at such meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers,

authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ix) Borrowing powers*

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

**(b) Alterations to constitutional documents**

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;

- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

**(e) Special resolution – majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days has been given.

**(f) Voting rights (generally and on a poll) and rights to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or

only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days. All other special general meetings shall be called by notice of at least fourteen (14) clear days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

**(o) Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

**(q) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The

liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

**3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or,

where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

#### **4. BERMUDA COMPANY LAW**

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

##### **(a) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

**(b) Financial assistance to purchase shares of a company or its holding company**

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

**(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury

shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

**(d) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

**(e) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that

part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

**(f) Management**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

**(g) Accounting and auditing requirements**

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the

resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

**(h) Auditors**

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

**(i) Exchange control**

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

**(j) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

**(k) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

**(l) Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

**(m) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

**(n) Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

## **5. GENERAL**

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IV to this prospectus. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**1. RESPONSIBILITY STATEMENT**

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the completion of the Rights Issue) will be as follows:

*As at the Latest Practicable Date*

*Authorised:* *HK\$*

<u>3,000,000,000</u>	Ordinary shares of HK\$0.05 each	<u>150,000,000.0</u>
----------------------	----------------------------------	----------------------

*Issued and fully paid:*

<u>2,392,410,986</u>	Ordinary shares of HK\$0.05 each	<u>119,620,549.3</u>
----------------------	----------------------------------	----------------------

*Upon completion of the Rights Issue*

*Issued and fully paid or credited as fully paid:*

2,392,410,986	Ordinary shares in issue as at the Latest Practicable Date	119,620,549.3
239,241,098	Rights Shares to be allotted and issued under the Rights Issue	11,962,054.9
<u>2,631,652,084</u>	Ordinary shares in issue immediately after completion of the Rights Issue	<u>131,582,604.2</u>

As at the Latest Practicable Date, there were no outstanding options, warrants, securities or other similar rights that are convertible or exchangeable into Shares or confer any right on any person to convert into or subscribe for Shares.

## 3. DISCLOSURE OF INTEREST

## (a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required; (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange; or (iv) which were required to be disclosed by the Hong Kong Code on Takeovers and Mergers were as follows:

## (A) Long position in Shares, underlying shares and debentures of the Company as at the Latest Practicable Date:

Name of Directors	Nature of interest	Number of Shares or underlying Shares	Approximate percentage to the existing total issued share capital as at the Latest Practicable Date
Cheong Hooi Kheng	Beneficial owner	2,200,000 (Note 1)	0.09%
Cheong Pin Chuan, Patrick	Beneficial owner	3,736,700 (Note 2)	0.16%

*Note:*

- Ms. Cheong Hooi Kheng is an alternative Director to a non-executive Director, Madam Lim Ghee. The total number of Shares of 2,200,000 comprises 2,000,000 Shares that she held as at the Latest Practicable Date and interest in 200,000 nil-paid Rights Shares to be provisionally allotted to Ms. Cheong Hooi Kheng pursuant to the Rights Issue.
- Mrs. Cheong, the spouse of Mr. Cheong Pin Chuan, Patrick, was interested in 3,736,700 Shares as at the Latest Practicable Date, and as a result, Mr. Cheong is deemed to be interested in these Shares. The total number of Shares of 3,736,700 comprises 3,397,000 Shares that she held as at the Latest Practicable Date and interest in 339,700 nil-paid Rights Shares to be provisionally allotted to Mrs. Cheong pursuant to the Rights Issue.

*(B) Long position in issued ordinary shares and underlying shares of the associated corporations of the Company**HFC*

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Number of shares or underlying shares of HFC held</b>	<b>Approximate percentage of the existing issued share capital of HFC as at the Latest Practicable Date</b>
Cheong Pin Chuan, Patrick	Beneficial owner	8,539,454	1.29%
	Interest of spouse	1,237,830	0.19%
	Held by controlled corporation	104,058,803 <i>(Note 1)</i>	15.78%
	Other	134,537,600 <i>(Note 2)</i>	20.40%
Cheong Sim Eng	Beneficial owner	73,775,300	11.18%
	Interest of spouse	257,700	0.04%
	Held by controlled corporation	31,263,663 <i>(Note 3)</i>	4.74%
	Other	134,537,600 <i>(Note 4)</i>	20.40%
Cheong Kim Pong	Beneficial owner	2,829,178	0.43%
	Interest of spouse	553,300	0.08%
	Held by controlled corporation	104,058,803 <i>(Note 5)</i>	15.78%
	Other	134,537,600 <i>(Note 4)</i>	20.40%
Lim Ghee	Other	134,537,600 <i>(Note 6)</i>	20.40%
Cheong Hooi Kheng	Beneficial owner	10,569,000	1.60%
	Other	134,537,600 <i>(Note 7)</i>	20.40%

*Notes:*

As at the Latest Practicable Date:

1. These shares of HFC represented (i) 72,795,140 shares of HFC (representing approximately 11.04% of the existing issued share capital of HFC) held by P.C. Cheong Pte. Ltd., which was 1% owned by Mrs. Cheong and 99% owned by Mr. Cheong Pin Chuan, Patrick; (ii) 25,116,863 shares of HFC (representing approximately 3.81% of the existing issued share capital of HFC) held by Goodyear Realty Co. Pte. Ltd., which was 25% owned by Mr. Cheong Pin Chuan, Patrick; and (iii) 6,146,800 shares of HFC (representing approximately 0.93% of the existing issued share capital of HFC) held by Corporate Development Limited, which was 25% owned by Mr. Cheong Pin Chuan, Patrick.
2. Mrs. Cheong had 3,397,000 shares of HFL. HFL, through its wholly-owned subsidiary, Hong Fok Land Holding Limited, was interested in 20.4% of the existing issued share capital of HFC, and HFC was interested in 40.38% of the existing share capital of Hong Fok Land Holding Limited.
3. These shares of HFC represented (i) 25,116,863 shares of HFC (representing approximately 3.81% of the existing issued share capital of HFC) held by Goodyear Realty Co. Pte. Ltd., which was 25% owned by Mr. Cheong Sim Eng; and (ii) 6,146,800 shares of HFC (representing approximately 0.93% of the existing issued share capital of HFC) held by Corporate Development Limited, which was 25% owned by Mr. Cheong Sim Eng.
4. Each of Mr. Cheong Sim Eng and Mr. Cheong Kim Pong had interests in the issued share capital of HFC, which in turn held 40.38% in the existing issued share capital of Hong Fok Land Holding Limited, and Hong Fok Land Holding Limited was interested in 20.4% of the existing issued share capital of HFC.
5. These shares of HFC represented (i) 72,795,140 shares of HFC (representing approximately 11.04% of the existing issued share capital of HFC) held by K.P. Cheong Investments Pte. Ltd., which was 99% owned by Mr. Cheong Kim Pong and 1% owned by Mr. Cheong Kim Pong's wife, Madam Margaret Choo; (ii) 25,116,863 shares of HFC (representing approximately 3.81% of the existing issued share capital of HFC) held by Goodyear Realty Co. Pte. Ltd., which was 25% owned by Mr. Cheong Kim Pong; and (iii) 6,146,800 shares of HFC (representing approximately 0.93% of the existing issued share capital of HFC) held by Corporate Development Limited, which was 25% owned by Mr. Cheong Kim Pong.
6. Madam Lim Ghee was a director of Hong Fok Land Investment Limited of which Hong Fok Land Holding Limited was a subsidiary, and Hong Fok Land Holding Limited was interested in 20.4% of the existing issued share capital of HFC.
7. Ms. Cheong Hooi Kheng had 2,000,000 shares of HFL. HFL, through its wholly-owned subsidiary, Hong Fok Land Holding Limited, was interested in 20.4% of the existing issued share capital of HFC.

**(b) Substantial shareholders' interests and short positions in the Shares or underlying Shares**

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

***Long position in Shares:***

<b>Name</b>	<b>Capacity</b>	<b>Total number of Shares or underlying Shares</b>	<b>Approximate percentage to the existing issued share capital of the Company as at the Latest Practicable Date</b>
HFC	Held by controlled corporation	1,741,886,885	72.81%
Barragan Trading Corp. (Note 1)	Beneficial owner	285,312,566	11.92%
Hong Fok Land International Limited	Beneficial owner	239,241,098	10.00%
Praise Time Co Limited	Beneficial owner	136,000,000	5.68%

*Note:*

1. Barragan Trading Corp. is beneficially owned by Mr. Shaw Vee King.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, no person had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, save for Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong and Mr. Cheong Sim Eng, who were all directors of the ultimate holding company, HFC, none of the other Directors held any directorship

or employment in a company which has an interests or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. LITIGATION

Lap Kai Engineering Co. Ltd. (as claimant) and Sui Chong International Resources Limited, a wholly-owned subsidiary of the Company, (as respondent) are involved in disputes in connection with a written agreement dated 28 September 2007 under which the claimant was engaged to design and carry out the foundation works for the residential redevelopment at No. 38 Conduit Road, Hong Kong. The amount of claim made by the claimant against the respondent was approximately HK\$21.76 million (which includes the claim of costs of variations and prolongation in the aggregate amount of approximately HK\$16.19 million and other contracted sum) plus interest and the disputes have been refined to arbitration.

As at the Latest Practicable Date, except for the aforesaid, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

#### 5. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Group within the two years preceding the date of this prospectus and which are or may be material:

- (a) the sale and purchase agreement dated 8 October 2009 entered into between Winfoong Overseas Limited, a non-wholly-owned subsidiary of the Company, as the Vendor and HFC as the purchaser in respect of the sale of entire issued share capital of Maincon (Building) Pte Ltd which was a dormant company at the consideration of S\$1;
- (b) the sale and purchase agreement dated 16 November 2009 entered into between Winfoong Assets Limited (a wholly-owned subsidiary of the Company) as the vendor and HFC as the purchaser of the entire issued shares of Goldease Investments Limited (“Goldease”) and the amount owed by Goldease and its subsidiaries to Winfoong Assets Limited and its subsidiaries at the consideration of S\$10,150,000 (equivalent to approximately HK\$56.4 million); and
- (c) the Underwriting Agreement.

#### 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the relevant member within one year without payment of compensation (other than statutory compensation).

## 7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As disclosed in the Company's annual report for the year ended 31 December 2008, the Group paid management fee of approximately HK\$7.9 million to HFL for share of administrative expenses during the year ended 31 December 2008. The management fee is determined quarterly between the respective parties after negotiations having regard to the cost of services provided. In addition, the Group also paid to its fellow subsidiaries an amount of approximately HK\$1.03 million for share of office expenses. This sharing arrangement was mutually agreed by both parties. The Directors are of the view that both of the above sharing arrangements (collectively, the "2008 Fees and Expenses Sharing Arrangements") were conducted on normal commercial terms and are in the ordinary course of the Group's business.

Save for the agreements referred to in the above paragraph headed "Material Contracts" and the 2008 Fees and Expenses Sharing Arrangements, there was no contract or arrangement in which any Directors was materially interested and which was significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2008 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Conyers Dill & Pearman	Legal advisers on Bermuda Law
CCIF CPA Limited	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of the text of their letters and/or the references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither CCIF CPA Limited nor Conyers Dill & Pearman had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither CCIF CPA Limited nor Conyers Dill & Pearman was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.



**Biography of Directors***Mr. Cheong Pin Chuan, Patrick*

Mr. Cheong Pin Chuan, Patrick, aged 60, is the Chairman and Managing Director of the Company. Mr. Cheong is a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He joined the Group in 1991 and was appointed as Director in 1996. He has over 36 years' experience in property development. He is a director of the Group's ultimate holding company, HFC.

*Mr. Cheong Kim Pong*

Mr. Cheong Kim Pong, aged 67, is an executive Director. Mr. Cheong joined the Group in 1991 and was appointed as Director in 1996. He has over 45 years' experience in construction management and real estate development. He is a director of HFC.

*Mr. Cheong Sim Eng*

Mr. Cheong Sim Eng, aged 48, is an executive Director. Mr. Cheong graduated from the Chaminade University of Honolulu with a Bachelor of Arts degree. He joined the Group in 1991 and was appointed as Director in 1996. He has over 23 years' experience in the construction industry. He is a director of HFC.

*Mr. Kan Fook Yee*

Mr. Kan Fook Yee, SBS, aged 73, is an independent non-executive Director and a member of the audit committee of the Company. He is a barrister at law, a Fellow Member of the Hong Kong Institute of Surveyors as well as a Fellow Member of the Chartered Institute of Arbitrators. He was appointed as an independent non-executive Director in 1998. In addition, Mr. Kan is an adviser to the Heung Yee Kuk, a statutory advisory body established under the Heung Yee Kuk Ordinance (Chapter 1097 of the Laws of Hong Kong). He is an independent non-executive director of Synergis Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. In February 2009, Mr. Kan ceased to be Chairman and non-executive director of Henderson Sunlight Assets Management Limited.

*Mr. Lai Hing Chiu, Dominic*

Mr. Lai Hing Chiu, Dominic, aged 62, is an independent non-executive Director and a member of the audit committee of the Company. He is a practising solicitor in Hong Kong and has also been admitted as a solicitor in England, Australia and Singapore. He joined the Group in 1994 and was appointed as an independent non-executive Director in 1996. He has over 36 years' experience as a solicitor. Mr. Lai is a non-executive director of NWS Holdings Limited, Midas International Holdings Limited and Oriental Press Group Limited, the shares of which are listed on the Main Board of the Stock Exchange.

*Mr. Chan Yee Hoi, Robert*

Mr. Chan Yee Hoi, Robert, aged 60, is an independent non-executive Director and a member of the audit committee of the Company. He joined the Group and was appointed as an independent non-executive Director in 2004. He graduated from the University of Hong Kong with a Bachelor of Social Science degree. He has over 29 years' experience in corporate restructuring, corporate finance, capital markets, direct investment and asset management. Mr. Chan held senior positions in various American banks in Hong Kong and fund management companies.

*Mr. Leung Wing Ning*

Mr. Leung Wing Ning, aged 62, is an independent non-executive Director and a member of the audit committee of the Company. He was appointed as an independent non-executive Director in 2009. He holds a Bachelor of Science degree from Stanford University and a Master Degree of Business Administration from New York University. He has over 30 years' experience in senior management in international trades and in banking and finance.

*Madam Lim Ghee*

Madam Lim Ghee, aged 98, is a non-executive Director. She joined the Group in 1991 and was appointed as a non-executive Director in 1996. Madam Lim Ghee is the mother of Messrs. Cheong Kim Pong, Cheong Pin Chuan, Patrick, Cheong Sim Eng, Ms. Cheong Hooi Kheng and Ms. Cheong Puay Kheng.

**Biography of Senior Management***Mr. Tsui Yeung Kun, Andrew*

Mr. Tsui Yeung Kun, Andrew, aged 54, is the director of the property development division of the Group. Mr. Tsui graduated from Christian Brothers College in the United States of America with a Bachelor of Science degree in Accounting and Economics. He joined the Group in 1995 and has over 6 years' experience in the management of investment funds and 11 years' experience in equity research and stock broking activities in Hong Kong. Mr. Tsui is the brother of Mr. Cheong Pin Chuan, Patrick.

*Mr. Cheong Tze Hong, Marc*

Mr. Cheong Tze Hong, Marc, aged 37, is the director of the business development division of the Group. Mr. Cheong holds a Bachelor of Science degree in Accounting from the University of Southern California in the United States of America and a Master of Business Administration degree from the University of Chicago Graduate School of Business. He joined the Group in 2000 and has over 3 years' experience in the merchant banking field and 8 years' experience in business development.

*Mr. Cheong Tze Hian, Howard*

Mr. Cheong Tze Hian, Howard, aged 35, is the director of the project management division of the Group. Mr. Cheong holds a Bachelor of Science degree in Accounting from the University of Southern California in the United States of America. He joined the Group in 2004 and has over 3 years' experience in the private equity field and 4 years' experience in project management.

Mr. Cheong Tze Hong, Marc and Mr. Cheong Tze Hian, Howard are the sons of Mr. Cheong Pin Chuan, Patrick.

*Ms. Cheong Puay Kheng*

Ms. Cheong Puay Kheng, aged 55, is the general manager of the Group. Ms. Cheong graduated from Armstrong College of Berkeley in the United States of America with a Bachelor of Science degree. She joined the Group in 1993 and has over 23 years' experience in the planning, organising and control of office administration and personnel management.

*Mr. Cheong Aik Yen, Roy*

Mr. Cheong Aik Yen, Roy, aged 44, is the senior manager of business promotion of the Group. Mr. Cheong graduated from Western New England College in Massachusetts with a Bachelor of Science degree in Mechanical Engineering. He joined the Group in 2002 and has 3 years' experience in the merchant banking field. He is the personal assistant to directors of HFC. Mr. Cheong is the son of Mr. Cheong Kim Pong.

*Ms. Cheong Hooi Kheng*

Ms. Cheong Hooi Kheng, aged 56, is the financial advisor of the Group. Ms. Cheong holds a Bachelor of Science degree in Business Administration from the California State University, Hayward and a Master of Business Administration degree from the Chaminade University of Honolulu. She joined the Group in 1991 and has over 27 years' experience in the construction industry. She is a director of HFC. Ms. Cheong was appointed as a non-executive Director, alternate to Madam Lim Ghee, in 2005.

Ms. Cheong Hooi Kheng and Ms. Cheong Puay Kheng are sisters of Messrs. Cheong Kim Pong, Cheong Pin Chuan, Patrick and Cheong Sim Eng.

*Mr. Chan Yuen King, Paul*

Mr. Chan Yuen King, Paul, aged 33, is the project manager of the property development division of the Group. Mr. Chan holds a Bachelor of Arts degree in Architectural Studies, Master of Science degree in Construction Project Management, and a Master degree in Landscape Architecture from the University of Hong Kong. He also holds a Bachelor of Law degree from the Manchester Metropolitan University. Mr.

Chan is a chartered builder and has 10 years' experience in the construction industry with 6 years' experience in project management. He joined the Group in 2003, left in March 2007 and returned in October 2007.

*Mr. Tong Kwok Wai, Anthony*

Mr. Tong Kwok Wai, Anthony, aged 37, is the senior quantity surveyor of the Group. He is a Member of The Hong Kong Institute of Surveyors, The Royal Institution of Chartered Surveyors and a Registered Professional Surveyor. He holds a Bachelor degree in Quantity Surveying from The City University of Hong Kong and a Master Degree in Construction Project Management from the University of Hong Kong. He joined the Group in 2008 and has over 12 years' quantity surveying experience. Mr. Tong has worked in construction cost consultant firm, contractor and developer.

#### 11. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head office and principal place of business in Hong Kong</b>	Room 3201 9 Queen's Road Central Hong Kong
<b>Principal bankers</b>	Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong  Nanyang Commercial Bank, Limited 151 Des Voeux Road Central Central Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  United Overseas Bank Limited 25th Floor Gloucester Tower 11 Pedder Street Central Hong Kong

	Malayan Banking Berhad 2 Battery Road Maybank Tower Singapore 049907
<b>Auditors</b>	CCIF CPA Limited 20th Floor Sunning Plaza 10 Hysan Avenue Causeway Bay Hong Kong
<b>Principal share registrar and transfer office in Bermuda</b>	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke, Hamilton 08 Bermuda
<b>Branch share registrar and transfer office in Hong Kong</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Authorised representatives</b>	Mr. Cheong Pin Chuan, Patrick Room 3201 9 Queen's Road Central Hong Kong  Ms. Cheng Kin Nam, Julia Room 3201 9 Queen's Road Central Hong Kong

**Legal advisers**

*As to Hong Kong law*  
Morrison & Foerster  
33/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to Bermuda law*  
Conyers Dill & Pearman  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**12. BINDING EFFECT**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**13. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES**

A copy of each of the Prospectus Documents, having attached thereto the written consents referred to in the paragraph headed "Expert and consent" in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of this prospectus has been, or will as soon as reasonably practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

**14. MISCELLANEOUS**

- The company secretary of the Company is Ms. Cheng Kin Nam, Julia. Ms. Cheng is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- As at the Latest Practicable Date, there was no material contract for the hire or hire purchase of plant or by any member of the Group for a period of over a year which is substantial in relation to the Group's business.
- The English text of this prospectus prevails over the Chinese text.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Room 3201, 9 Queen's Road Central, Hong Kong during normal business hours on any weekday other than Saturdays and public holidays from the date of this prospectus up to and including Monday, 21 December 2009:

- (a) the memorandum of association of the Company;
- (b) the bye-laws of the Company;
- (c) the Companies Acts;
- (d) the annual reports of the Company for each of the two financial years ended 31 December 2007 and 2008, and the interim report of the Company for the six months ended 30 June 2009;
- (e) the accountants' report from CCIF CPA Limited on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to this prospectus;
- (f) the material contracts referred to in the paragraph headed "Material contracts" above;
- (g) the written consents referred to in the paragraph headed "Experts and consents" above; and
- (h) a letter of advice issued by Conyers Dill and Pearman summarising certain aspects of Bermuda Company Law.