# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in **Winfoong International Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.



# WINFOONG INTERNATIONAL LIMITED
# (榮豐國際有限公司*)

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 63)**

## VERY SUBSTANTIAL DISPOSAL
## AND
## CONNECTED TRANSACTION

**Independent financial adviser**
**to the Independent Board Committee and the Independent Shareholders**

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

A letter of recommendation from the Independent Board Committee and a letter of advice from Goldin Financial in respect of the Disposal are set out on pages 13 to 14 and pages 15 to 26 of this circular respectively.

A notice convening a special general meeting of the Company to be held at Room 3201, 9 Queen's Road Central, Hong Kong on Monday, 18 January 2010 at 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the special general meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

24 December 2009

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

| | |
|---|---|
| "2007 Agreement" | the sale and purchase agreement dated 25 May 2007 entered into among HFC (being the vendor), Winfoong Assets Limited (being the purchaser) and the Company in relation to the acquisition of Goldease |
| "associates" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "Business Day" | any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| "BVI" | British Virgin Islands |
| "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 |
| "Completion" | completion of the Disposal |
| "connected person(s)" | has the same meaning ascribed thereto under the Listing Rules |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the proposed disposal of the Sale Share and the Sale Loan on the terms and conditions of the Disposal Agreement |
| "Disposal Agreement" | the conditional sale and purchase agreement dated 16 November 2009 entered into between the Vendor and the Purchaser in relation to the Disposal |
| "Goldease" | Goldease Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company |
| "Goldease Group" | Goldease and its subsidiaries |

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| "Goldin Financial" or "Independent Financial Adviser" | Goldin Financial Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement |
| "Group" | the Company and its subsidiaries |
| "HFL" | Hong Fok Land International Limited, a company incorporated in Bermuda with limited liability, held as to approximately 40.4% by HFC through HFC's wholly-owned subsidiaries, and holding 478,482,197 Shares representing approximately 20.0% of the existing issued share capital of the Company as at the Latest Practicable Date |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | the independent board committee of the Company comprising all independent non-executive Directors, namely Messrs. Lai Hing Chiu, Dominic, Kan Fook Yee, Chan Yee Hoi, Robert and Leung Wing Ning, established to give recommendation to the Independent Shareholders regarding the Disposal |
| "Independent Shareholders" | Shareholders other than HFC and its associates |
| "Latest Practicable Date" | 21 December 2009, being the latest practicable date prior to printing of this circular for ascertaining certain information contained in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "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 |
| "PRC" | the People's Republic of China |

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|---|---|
| "Properties" | 5 apartment units of Jewel of Balmoral at 7C Balmoral Park, Singapore and 3 apartment units of ten@suffolk at Suffolk Road, Singapore held by the Goldease Group as at the Latest Practicable Date |
| "Purchaser" or "HFC" | Hong Fok Corporation Limited, a company incorporated in Singapore with limited liability, the shares of which are listed on The Singapore Exchange Securities Trading Limited, and being the controlling Shareholder holding 1,024,163,590 Shares representing approximately 42.8% of the existing issued share capital of the Company as at the Latest Practicable Date |
| "Remaining Group" | the Group other than the Goldease Group |
| "Rights Issue" | the issue of 239,241,098 new Shares by the Company on the basis of one (1) rights Share for every ten (10) Shares held on 4 December 2009 at the subscription price of HK$0.07 per rights Share, details of which are set out in the prospectus of the Company dated 7 December 2009 |
| "Sale Loan" | the sum of the outstanding loans owed by the Goldease Group to the Vendor and one of its subsidiaries on Completion which will be acquired by the Purchaser pursuant to the Disposal Agreement |
| "Sale Share" | one share of US$1, representing the entire issued share capital of Goldease |
| "SCF" | Sui Chong Finance Limited, a company incorporated in Hong Kong which is a wholly-owned subsidiary of the Vendor |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| "SGM" | the special general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder |
| "Share(s)" | ordinary share(s) of HK$0.05 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of Share(s) |

| | |
|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiaries" | has the meaning ascribed to it under the Companies Ordinance |
| "URA" | Urban Redevelopment Authority, a national land use planning authority of Singapore |
| "Valuer" or "Savills" | Savills (Singapore) Pte Ltd, an independent professional valuer |
| "Vendor" | Winfoong Assets Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "S$" | Singapore dollars, the lawful currency of Singapore |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "sq.m." | square metre |
| "%" or "per cent." | percentage or per centum |

Amounts denominated in S$ in this circular have been translated to HK$ at the exchange rate of S$1 = HK$5.56 for illustration purpose only. No representation is made that any amounts in HK$ and S$ have been or could be converted at the above rates or at any other rates or at all.

# 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 HM11
Bermuda

*Principal Office in Hong Kong:*
Room 3201
9 Queen's Road Central
Hong Kong

24 December 2009

*To the Shareholders*

Dear Sir or Madam,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

### INTRODUCTION

On 16 November 2009, the Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor conditionally agreed to sell and assign (or as the case may be, procure the sale and assignment of) and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan respectively for an aggregate cash consideration of S$10,150,000 (equivalent to approximately HK$56.4 million).

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As HFC, being the Purchaser, is a connected person of the Company by virtue of being the controlling Shareholder ultimately and beneficially holding 1,024,163,590 Shares (representing approximately 42.8% of the existing issued share

* *For identification purpose only*

capital of the Company) through its wholly-owned subsidiaries, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval by the Independent Shareholders at the SGM by way of poll.

The purpose of this circular is to provide you, among other things, with further information in relation to the Disposal, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal, financial information of the Group, the valuation report on Goldease Group and the notice of SGM.

**The Disposal Agreement dated 16 November 2009**

Vendor: Winfoong Assets Limited, a wholly-owned subsidiary of the Company

Purchaser: HFC

The principal activity of the Purchaser is investment holding and its subsidiaries are principally engaged in property investment, property development, property management, investment trading, investment holding and management. The Purchaser, through its wholly-owned subsidiaries, was interested in 1,024,163,590 Shares representing approximately 42.8% of existing issued share capital of the Company as at the Latest Practicable Date.

**Assets to be disposed of**

(i) The Sale Share, being the entire issued share capital of Goldease; and

(ii) The Sale Loan, being the sum of the outstanding inter-company loans owed by the Goldease Group to the Vendor and one of its subsidiaries on Completion

**Consideration of the Disposal**

The cash consideration for the Sale Share and the Sale Loan of S$10,150,000 (equivalent to approximately HK$56.4 million) shall be payable on Completion in Singapore dollars or in Hong Kong dollars at the exchange rate of S$1 to HK$5.56 by the Purchaser to the Vendor.

The cash consideration for the Sale Share and the Sale Loan was determined between the Vendor and the Purchaser on an arm's length basis and was principally determined with reference to (i) the unaudited consolidated net liabilities of Goldease of S$11,686,129 (equivalent to approximately HK$65.0 million) as at 30 September 2009; (ii) the principal amount of the Sale Loan of not more than S$20,700,000 (equivalent to approximately HK$115.1 million) and not less than S$20,690,000 (equivalent to approximately HK$115.0 million) as at the date of Completion; (iii) the excess of the value of the Properties of approximately S$1,140,000 (equivalent to approximately HK$6.3 million) as agreed between the parties based on the valuation of the Properties as at 30 September 2009 as assessed by the Valuer over the net book value of the Properties as at 30 September 2009; and (iv) deducting the relevant tax liability arising from such excess.

**Conditions precedent of the Disposal**

Completion of the Disposal shall be conditional upon:

(i) the passing of the necessary resolutions by the Independent Shareholders at the SGM approving the transactions contemplated under the Disposal Agreement in accordance with the relevant requirements under the Listing Rules;

(ii) if necessary, the approval of all relevant Singapore regulatory authorities (including the Singapore Stock Exchange) for the purchase of the Sale Share and the Sale Loan having been obtained by the Purchaser and if conditions are attached, such terms to be acceptable to the parties;

(iii) the Purchaser being reasonably satisfied with the due diligence review of the affairs of the Goldease Group;

(iv) if necessary, the relevant consents from the relevant financial institutions and creditors to the disposal of the Sale Share and the Sale Loan, and the repayment of any loan or advance due from any member of the Goldease Group to the Vendor and SCF to the effect that the amount of the Sale Loan as at Completion can be reduced to a sum of not more than S$20,700,000 and not less than S$20,690,000, having been obtained by the Vendor and/or the Company;

(v) the release and discharge of the Company from all demands, claims and liabilities under the corporate guarantee dated 1 August 2007 provided by the Company in favor of Malayan Banking Berhad in relation to the indebtedness of the Goldease Group to Malayan Banking Berhad;

(vi) there having been no breach of any of the representations, warranties and undertakings as prescribed in the Disposal Agreement by the Vendor; and

(vii) there having been no breach of any of the representations, warranties and undertakings as prescribed in the Disposal Agreement by the Purchaser.

If any of the above conditions has not been fulfilled (or waived by the Purchaser or the Vendor, as the case may be, with regards to conditions (iii), (vi) and (vii)) by 31 March 2010 or such later date as may be agreed in writing between the Vendor and the Purchaser, the provisions of the Disposal Agreement shall from such date have no effect and no party shall have any liability thereunder (without prejudice to the rights of either party in respect of antecedent breaches.)

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

**Completion**

Completion shall take place on the fifth Business Day after the fulfillment (or waiver, if applicable) of all the above conditions precedent or at such other time as the parties to the Disposal Agreement may agree in writing.

Upon Completion, Goldease will cease to be a subsidiary of the Group and the results of the Goldease Group will no longer be consolidated into the financial statements of the Group.

**INFORMATION ON THE GOLDEASE GROUP**

Goldease is an investment holding company incorporated in the BVI with limited liability on 9 March 2007. Arundel Trading Pte Ltd, Firth Enterprises Pte Ltd and Hong Fok Development (Newton) Pte Ltd, being subsidiaries of Goldease, are principally engaged in the property development business. In August 2007, Goldease became a wholly-owned subsidiary of the Company upon completion of the 2007 Agreement, pursuant to which the Company acquired from HFC the entire issued share capital in Goldease and the benefits and interests in the inter-company loans owed by the Goldease Group to the subsidiaries of HFC. The Sale Loan currently due from the subsidiaries of Goldease to the Vendor and one of its subsidiaries was attributable to the aforesaid inter-company loans of S$33.6 million (equivalent to approximately HK$186.8 million) as assigned by HFC, which was reduced to S$25,681,372 (equivalent to approximately HK$142.8 million) as at 30 September 2009 by way of gradual repayment to the Vendor and one of its subsidiaries since August 2007. At the time of the aforesaid acquisition, the Goldease Group held 11 apartment units of Jewel of Balmoral at 7C Balmoral Park, Singapore and 4 apartment units of ten@suffolk at Suffolk Road, Singapore with a total floor area of approximately 1,476 sq.m. and 427 sq.m. respectively. Subsequent to the completion of the 2007 Agreement, the Group sold a total of 7 apartment units among its holding of properties in Singapore with other residential units let to independent third parties or remaining vacant. As at the Latest Practicable Date, the principal assets of the Goldease Group comprised the following properties:–

(i) 5 apartment units of Jewel of Balmoral at 7C Balmoral Park, Singapore with an aggregate gross floor area of approximately 627 sq.m.; and

(ii) 3 apartment units of ten@suffolk at Suffolk Road, Singapore with an aggregate gross floor area of approximately 317 sq.m.

As at the date of the Disposal Agreement, each of the Properties, save for an apartment unit of Jewel of Balmoral which is vacant, has been let to independent third parties for terms ranging from 12 months to 24 months expiring from May 2010 to October 2011 at a monthly rental ranging from S$3,000 (equivalent to approximately HK$16,700) to S$8,000 (equivalent to approximately HK$44,500). The aggregate annual rental income received in respect of the Properties for the year ended 31 December 2008 was S$257,430 (equivalent to approximately HK$1.4 million). Save for holding the Properties for sale and receiving rental income generated from the Properties, the Goldease Group has no other business operations or major assets. Based on the valuation report prepared by the Valuer set out in Appendix IV to this circular, the aggregate valuation of the Properties as at 30 September 2009 was approximately S$13,640,000 (equivalent to approximately HK$75.8 million) being the value of the properties held by the Goldease Group as at 30 September 2009 of approximately S$15,640,000 less the value of a property disposed subsequent to 30 September 2009 of approximately S$2,000,000.

As set out in the accountants' report on the Group set out in Appendix I to this circular, as at 30 September 2009, the audited consolidated net liabilities of Goldease amounted to approximately HK$63.5 million. For the year ended 31 December 2008, Goldease recorded audited consolidated turnover of approximately HK$44.7 million and loss before and after taxation of approximately HK$25.7 million and approximately HK$20.7 million respectively. During the period from 1 August 2007 (being the date of completion of the 2007 Agreement) and up to 31 December 2007, Goldease recorded audited consolidated turnover of approximately HK$12.8 million and loss before and after taxation of approximately HK$0.9 million and approximately HK$0.4 million respectively. All the aforesaid financial information of Goldease was prepared in accordance with the generally accepted accounting principles in Hong Kong.

**REASONS FOR THE DISPOSAL AND THE USE OF PROCEEDS**

The Group is principally engaged in properties related businesses 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.

The properties held by the Goldease Group are development properties under current assets of the Group and, in its ordinary and usual course of business, the Goldease Group has been selling the properties held thereby in the market during the past two years since the completion of the acquisition contemplated under the 2007 Agreement. However, up to the Latest Practicable Date, only 7 apartment units of the properties were successfully sold in the market. Recently, prices of private residential properties in Singapore increased by approximately 15.8% in the third quarter of 2009 as compared with the decline of approximately 4.7% in the previous quarter according to the real estate statistics released by the URA. In view of (i) such rebound of the property prices in private residential property market in Singapore; (ii) the uncertain sustainability of the optimistic sentiment experienced in the current property market; (iii) the relatively low annual rental income of S$257,430 (equivalent to approximately HK$1.4 million) generated from the Properties for the year ended 31 December 2008; and (iv) the fact that HFC is willing to purchase all the remaining apartment units from the Group which have been selling in the market for over 2 years, the Directors determine to take advantage of the current property market rally and consider that it is a good opportunity to sell all the remaining apartment units in a bulk at a fair market price despite the loss of major income stream of the Company after Completion.

It is intended that the Group will apply the net proceeds of approximately HK$54.4 million from the Disposal 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 Disposal 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.

## FINANCIAL EFFECT OF THE DISPOSAL

Immediately after Completion, the Goldease Group will cease to be wholly-owned subsidiaries of the Company. The financial results of Goldease Group will no longer be consolidated into the accounts of the Company.

Based on the unaudited pro forma financial information on the Remaining Group set out in Appendix III to this circular, the financial effects of the Disposal are summarised below:

### Earnings

As extracted from the accountants' report on the Group set out in Appendix I to this circular, the profit of the Group for the year ended 31 December 2008 was approximately HK$39.8 million.

As set out in Appendix III to this circular, assuming Completion had taken place on 1 January 2008, the unaudited pro forma profit of the Remaining Group for the year ended 31 December 2008 would be increased by approximately HK$12.0 million. The increase in profit for the year was mainly due to the elimination of write-down of inventories of approximately HK$25.9 million attributable to the Goldease Group.

### Net assets

As extracted from the accountants' report on the Group set out in Appendix I to this circular, the audited consolidated total assets and total liabilities of the Group as at 30 September 2009 were approximately HK$701.2 million and HK$273.9 million respectively. The audited consolidated net asset value attributable to the Shareholders as at 30 September 2009 was approximately HK$472.3 million.

As set out in Appendix III to this circular, assuming Completion had taken place on 30 September 2009, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group were approximately HK$698.5 million and HK$268.4 million respectively. The unaudited pro forma net asset value attributable to the Shareholders was approximately HK$430.1 million.

### Gearing

As extracted from the accountants' report on the Group set out in Appendix I to this circular, the gearing ratio of the Group, calculated with reference to the bank and other borrowings offsetting by the pledged bank deposits and the bank balances and cash, over the Group's shareholders' equity, was approximately 31% as at 30 September 2009.

As set out in Appendix III to this circular, assuming the Completion had taken place on 30 September 2009, the gearing ratio of the Remaining Group, calculated with reference to the bank and other borrowings offsetting by the pledged bank deposits and the bank balances and cash, over the Remaining Group's shareholders' equity, was approximately 12% as at 30 September 2009.

Based on (i) the audited consolidated net liabilities of Goldease of approximately HK$63.5 million as at 30 September 2009; (ii) the Sale Loan of approximately HK$115.1 million; (iii) the exchange reserve attributable to the Goldease Group of approximately HK$9.4 million; and (iv) the net proceed from the Disposal of approximately HK$54.4 million, the Group is expected to record a gain of approximately HK$12.2 million upon Completion.

## PROSPECT OF THE REMAINING 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.

After the Disposal, 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. With the net proceeds from the Disposal providing the Group with more feasibility for other potential investments or developments, the Group intends to explore quality investment opportunities including, but not limited to, acquisition of investment properties for rental income and property development business by means of redevelopment or other means with a view to strengthening its property portfolio in order to enhance the Shareholders' value after the Disposal. The Board considers that the Disposal 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. As at the Latest Practicable Date, the Group has not identified any investment opportunities.

## LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As HFC, being the Purchaser, is a connected person of the Company by virtue of being the controlling Shareholder ultimately and beneficially holding 1,024,163,590 Shares (representing approximately 42.8% of the existing issued share capital of the Company) through its subsidiaries, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval by the Independent Shareholders at the SGM by way of poll. HFC and its associates (including HFL), Ms. H.K. Cheong (who is a shareholder and director of HFC) and Mrs. Cheong (who is a shareholder and spouse of a director of HFC) ("Abstained Group") will abstain from voting on the resolution(s) approving the Disposal at the SGM. As at the Latest Practicable

Date, the Abstained Group held 1,508,042,787 Shares (representing approximately 63.03% of the issued share capital of the Company as at the Latest Practicable Date). The total shareholdings of the Abstained Group as at the date of the SGM may further increase to 1,688,426,497 Shares (representing approximately 64.16% of the issued share capital of the Company as enlarged by the issue of rights Shares as a result of the Rights Issue) assuming the Rights Issue becomes unconditional and no acceptance by the Qualifying Shareholders under the Rights Issue. Your attention is drawn to the letter from Independent Board Committee containing its opinion on the terms of the Disposal Agreement and its recommendation, and the Letter from Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders set out on pages 13 to 14 and 15 to 26 respectively of this circular.

**SGM**

Set out on pages SGM-1 to SGM-2 is a notice convening the SGM to be held at Room 3201, 9 Queen's Road Central, Hong Kong at 4:00 p.m. on Monday, 18 January 2010 for the purpose of considering, and if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder.

A proxy form is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

**RECOMMENDATION**

The Directors (including the independent non-executive Directors, the recommendation thereof has been set out on pages 13 to 14 of this circular) consider that the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

**ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

# WINFOONG INTERNATIONAL LIMITED
**(榮豐國際有限公司*)**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 63)**

24 December 2009

*To the Independent Shareholders*

Dear Sir or Madam,

## VERY SUBSTANTIAL DISPOSAL
## AND
## CONNECTED TRANSACTION

We refer to the circular of the Company dated 24 December 2009 (the "Circular"), of which this letter forms a part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Disposal Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal Agreement and the transactions contemplated thereunder and to recommend how the Independent Shareholders should vote at the SGM. Goldin Financial has been appointed to advise the Independent Board Committee in relation to the Disposal Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 12 of the Circular, and the letter from Goldin Financial to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Disposal Agreement and the transactions contemplated thereunder, as set out on pages 15 to 26 of the Circular.

Having taken into account the advice of Goldin Financial, we consider the terms of the Disposal Agreement and the transactions contemplated thereunder to be fair and reasonable so far as the Independent Shareholders are concerned and that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

| **Kan Fook Yee** | **Lai Hing Chiu, Dominic** | **Chan Yee Hoi, Robert** | **Leung Wing Ning** |
|---|---|---|---|
| *Independent non-executive Director* | *Independent non-executive Director* | *Independent non-executive Director* | *Independent non-executive Director* |

*The following is the full text of a letter of advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, which has been prepared for the purpose of inclusion in the Circular.*

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

**Goldin Financial Limited**
20/F, York House
The Landmark
15 Queen's Road Central
Hong Kong

24 December 2009

*To the Independent Board Committee and the Independent Shareholders of Winfoong International Limited*

Dear Sirs,

**VERY SUBSTANTIAL DISPOSAL**
**AND**
**CONNECTED TRANSACTION – DISPOSAL OF**
**THE ENTIRE INTEREST IN GOLDEASE INVESTMENTS LIMITED**
**AND**
**THE AMOUNT OWED BY THE SUBSIDIARIES OF**
**GOLDEASE INVESTMENTS LIMITED**

## INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in this circular (the "**Circular**") dated 24 December 2009 issued by the Company, of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to the Disposal Agreement executed on 16 November 2009, the Vendor, being a wholly-owned subsidiary of the Company, has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Share (being the entire issued share capital of Goldease as at the Latest Practicable Date) and the Sale Loan at the cash consideration of approximately S$10,150,000 (equivalent to approximately HK$56.4 million).

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As HFC, being the Purchaser, is a connected person of the Company by virtue of being the controlling Shareholder ultimately and beneficially holding 1,024,163,590 Shares (representing approximately 42.8% of the existing issued share capital of the Company) through its subsidiaries, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and will be subject to the approval by the Independent Shareholders at the SGM by way of poll. HFC and its associates (including HFL), Ms. H.K. Cheong (who is a shareholder and director of HFC) and Mrs. Cheong (who is a shareholder and spouse of a director of HFC) will abstain from voting on the resolution(s) approving the Disposal at the SGM.

**THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee (comprising all the independent non-executive Directors namely Messrs. Lai Hing Chiu, Dominic, Kan Fook Yee, Chan Yee Hoi, Robert and Leung Wing Ning) has been established to consider and to give recommendation to the Independent Shareholders in respect of the Disposal.

Goldin Financial has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Disposal is (i) on normal commercial terms and (ii) fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

**BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the date of the SGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, 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 in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or Goldease or any of their respective subsidiaries.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Disposal and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

### 1. Background information and reasons for the Disposal

#### *1.1 Principal activities of the Group*

The Group is principally engaged in properties related businesses 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.

Set out below is a summary of the consolidated financial results and position of the Group extracted from the accountants' report for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 as set out in Appendix I to the Circular.

| | **For the year ended 31 December** | | **For the nine months ended 30 September** | |
|---|---|---|---|---|
| | **2008** | **2007** | **2009** | **2008** |
| | | | | *(unaudited)* |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 48,533 | 29,339 | 23,422 | 47,682 |
| Profit/(loss) for the period/year | 39,795 | (312,270) | 104,997 | (10,039) |

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$48.5 million, representing an increase of approximately 65.5% compared to approximately HK$29.3 million recorded for the previous year. The overall financial performance for the year ended 31 December 2008 also improved from a net loss of approximately HK$312.3 million in 2007 to a net profit of approximately HK$39.8 million in 2008. As advised by the Company, the turnaround of the overall performance of the Group in 2008 was mainly attributable to (i) the valuation gains on investment property of approximately HK$75.5 million recorded in 2008; and (ii) the one off non-cash item of impairment of goodwill of approximately HK$321.1 million recorded in 2007.

For the nine months ended 30 September 2009, the Group recorded a turnover of approximately HK$23.4 million, representing approximately 50.9% drop over the same period last year, and profit attributable to shareholders was improved from a net loss of approximately HK$10.0 million to a net gain of HK$105.0 million. As advised by the Company, the Group's turnover for the nine months ended 30 September 2009 was contributed mainly by the proceeds from the sale of the properties in Singapore and the significant decrease in turnover was mainly attributable to the decrease in revenue from disposal of properties in Singapore. It is noted that the Group recorded a fair value gain of approximately HK$102.0 million on transfer of investment properties to properties under development for the nine months ended 30 September 2009.

After the Disposal, the Group will still have principal assets in Hong Kong, being the redevelopment of the property located at no.38 Conduit Road, Hong Kong ("**THE ICON**") and will continue to engage in the 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 and purchase of certain units of THE ICON since the end of June 2009.

We consider that the Disposal is in line with the principal business of the Group.

### *1.2 Information on Goldease*

Goldease is an investment holding company incorporated in the BVI with limited liability on 9 March 2007. Its subsidiaries, Arundel Trading Pte Ltd, Firth Enterprises Pte Ltd and Hong Fok Development (Newton) Pte Ltd, are principally engaged in the property development business.

In August 2007, Goldease became a wholly owned subsidiary of the Company upon completion of the 2007 Agreement, pursuant to which the Company acquired from HFC the entire issued share capital in Goldease and the benefits and interests in the inter-company loans owed by the Goldease Group to the subsidiaries of HFC.

The Sale Loan currently due from the subsidiaries of Goldease to the Vendor and one of its subsidiaries was attributable to the aforesaid inter-company loans of S$33.6 million (equivalent to approximately HK$186.8 million) as assigned by HFC, which was reduced to S$25,681,372 (equivalent to approximately HK$142.8 million) as at 30 September 2009 by way of gradual repayment to the Vendor and one of its subsidiaries since August 2007. As advised by the Company, the Sale Loan is generally non-trade in nature, non-interest bearing and unsecured.

At the time of the aforesaid acquisition, the Goldease Group held 11 apartment units of Jewel of Balmoral at 7C Balmoral Park, Singapore and 4 apartment units of ten@suffolk at Suffolk Road, Singapore with a total floor area of approximately 1,476 sq.m. and 427 sq.m. respectively. After completion of the 2007 Agreement, the Group sold a total of 7 apartment units among its holding of properties in Singapore with other residential units let to independent third parties or remaining vacant.

As at the Latest Practicable Date, the principal assets of the Goldease Group comprised the following properties:–

(i) 5 apartment units of Jewel of Balmoral at 7C Balmoral Park, Singapore with an aggregate gross floor area of approximately 627 sq.m.; and

(ii) 3 apartment units of ten@suffolk at Suffolk Road, Singapore with an aggregate gross floor area of approximately 317 sq.m.

As at the date of the Disposal Agreement, each of the Properties, save for an apartment unit of Jewel of Balmoral which is vacant, has been let to independent third parties for terms ranging from 12 months to 24 months expiring from May 2010 to October 2011 at a monthly rental ranging from S$3,000 (equivalent to approximately HK$16,700) to S$8,000 (equivalent to approximately HK$44,500). The aggregate annual rental income received in respect of the Properties for the year ended 31 December 2008 was S$257,430 (equivalent to approximately HK$1.4 million). Save for holding the Properties for sale and receiving rental income generated from the Properties, the Goldease Group has no other business operations or major assets.

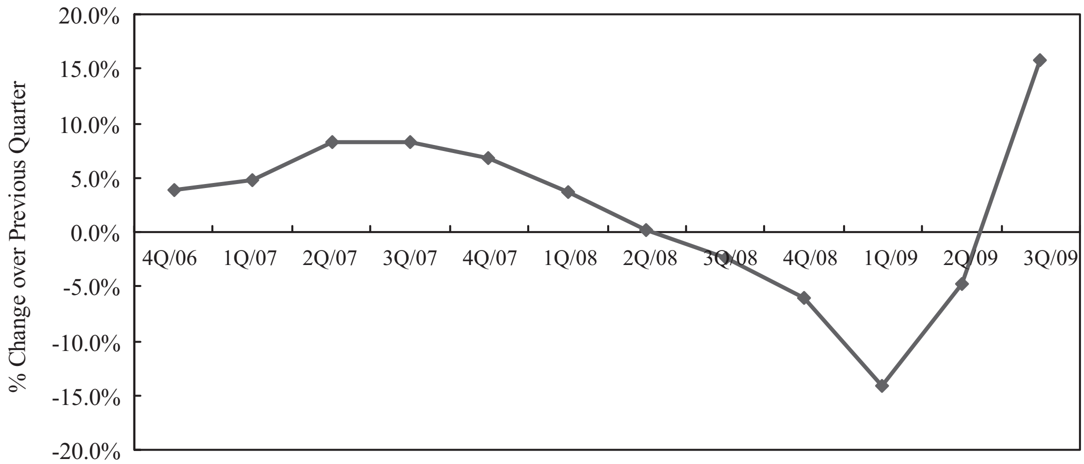
**2. Reasons for, benefits of and use of proceeds from the Disposal**

After the completion of the acquisition contemplated under the 2007 Agreement, the Board considered such acquisition of the Goldease Group would provide the Group with a good opportunity to expand and diversify its property investment portfolio into the overseas market. Subsequent to the acquisition of the Goldease Group in 2007, the Group's property portfolio was enlarged by the properties held by the Goldease Group in Singapore. As stated in the Circular, the Goldease Group has been selling the properties held by it in the market during the past two years since the completion of the acquisition contemplated under the 2007 Agreement. However, there were only 7 apartment units successfully sold in the market up to the Latest Practicable Date.

In reaching our conclusion in respect of the Disposal, we have taken into consideration, amongst others, the following principal factors and reasons:

***2.1 Property prices in Singapore***

As illustrated in the chart below where we have compared the historical price index of private residential properties in Singapore during the period from the 4th quarter of 2006 to the 3rd quarter of 2009, an irregular trend in price index was observed. The price index was increased constantly with a range of 3%-9% over the previous quarter since the 4th quarter of 2006. Such increase ceased and a downtrend in price index was recorded since the 3rd quarter of 2008. Such decrease continued and the price index dropped significantly with a decline of 14.1% and 4.7% in the 1st and 2nd quarter of 2009 respectively, which was then followed by an increase of 15.8% in the 3rd quarter of 2009. The recent trend suggested that there was a rebound in the property prices in private residential property market in Singapore.




*Source: URA*

### *2.2 Singapore property market outlook*

Despite the improvement in the prices of private residential properties, the Singapore government announced on 14 September 2009 a number of measures to ensure a stable and sustainable property market including replenishment of land supply and removal of interest absorption scheme and interest-only housing loans for the buyers of uncompleted private residential properties. In view of the uncertainties over the global economy and the Singapore government's anti-speculative measures on real estate market, we concur with the Directors' view about the uncertain sustainability of the optimistic sentiment experienced in the current property market in Singapore.

***2.3 Rental yield***

According to the *Properties Times: Singapore Q2 2009* released by DTZ research, an independent real estate service provider, the average price of freehold non-landed resale private homes in the prime districts was S$1,247 per sq. ft. and the average rental value of homes in the prime district was S$3.32 per sq. ft. per month. Therefore, the average annualized rate of market return was 3.19%. As compared to the rate of return on the Properties of 2.56%, which was calculated based on the total rental income derived from the Properties during the period from 1 October 2008 to 30 September 2009 divided by the value of the Properties as at 30 September 2009, it is considered that the annual income generated from the Properties is relatively low as compared to the market.

***2.4 Use of proceeds***

As stated in the Circular, the Group intended to explore other quality investment opportunities with a view to strengthen its property portfolio in order to enhance the Shareholder's value after the Disposal. As at the Latest Practicable Date, the Group has not identified any investments targets and instead of laying aside the proceeds in bank, the Directors consider that it is better to apply the proceeds from the Disposal for the repayment of a revolving loan of the Group so as to decrease the finance cost of the Group.

Based on the information provided by the Company, it is noted that the revolving loan drawn down by the Group during the 12 months period ended 30 September 2009 ranged from HK$100 million to HK$109 million and the interest expenses amounted to approximately HK$1.3 million representing an effective interest rate of approximately 1.3%. The revolving loan is floating rate bank borrowings with reference to Hong Kong Interbank Offered Rate. Therefore, repayment of a revolving loan of the Group would save the finance cost of the Group in this regard. Although the effective interest rate of the revolving loan of the Group is lower than the rate of return on the Properties during the 12 months period ended 30 September 2009, the Disposal allows the Company to take advantage of the current property market rally and lock in the profit of its investment in the Goldease Group before any possible cyclical downturn of the Singapore property market in the near future amid of the uncertainties over the global economy and the recent Singapore government's anti-speculative measures on real estate market. Furthermore, it is uncertain as to whether the low interest rate environment in Hong Kong will sustain in the future and the proceeds from the Disposal provide the Company with financial flexibility for capturing investment opportunities as and when they arise.

Based on the above, we concur with the Directors' view that (i) the property prices have recently been rebounded in private residential property market in Singapore; (ii) the sustainability of the optimistic sentiment experienced in the current property market is uncertain; and (iii) annual rental income generated from the Properties for the year ended 31 December 2008 is relatively low as compared to the market.

Taking into account the above analysis, we concur with the Directors' view that the Disposal is in the interests of the Company and the Shareholders as a whole.

**3. The Principal terms of the Disposal Agreement**

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire (i) the share representing the entire issued share capital of Goldease (i.e. the Sale Share) and (ii) the inter-company loans owed by the Goldease Group to the Vendor and one of its subsidiaries on Completion (i.e. the Sale Loan), at an aggregate cash consideration of S$10,150,000 (equivalent to approximately HK$56.4 million).

The cash consideration for the Sale Share and the Sale Loan of S$10,150,000 (equivalent to approximately HK$56.4 million) shall be payable on Completion in Singapore dollars or in Hong Kong dollars at the exchange rate of S$1 to HK$5.56 by the Purchaser to the Vendor.

As advised by the Company, the Sale Loan amounted to S$25,681,372 (equivalent to approximately HK$142.8 million) as at 30 September 2009. Under the Disposal Agreement, the Vendor has undertaken that, from the date of the Disposal Agreement until the date of Completion, it shall procure that the Goldease Group shall continue to repay the amounts due to the Vendor and/or SCF such that the aggregate amount of the Sale Loan on the date of Completion will not be more than S$20,700,000 and not less than S$20,690,000.

Completion of the Disposal shall be conditional upon:

(i) the passing of the necessary resolutions by the Independent Shareholders at the SGM approving the transactions contemplated under the Disposal Agreement in accordance with the relevant requirements under the Listing Rules;

(ii) if necessary, the approval of all relevant Singapore regulatory authorities (including the Singapore Stock Exchange) for the purchase of the Sale Share and the Sale Loan having been obtained by the Purchaser and if conditions are attached, such terms to be acceptable to the parties;

(iii) the Purchaser being reasonably satisfied with the due diligence review of the affairs of the Goldease Group;

(iv) if necessary, the relevant consents from the relevant financial institutions and creditors to the disposal of the Sale Share and the Sale Loan, and the repayment of any loan or advance due from any member of the Goldease Group to the Vendor and SCF to the effect that the amount of the Sale Loan as at Completion can be reduced to a sum of not more than S$20,700,000 and not less than S$20,690,000, having been obtained by the Vendor and/or the Company;

(v) the release and discharge of the Company from all demands, claims and liabilities under the corporate guarantee dated 1 August 2007 provided by the Company in favor of Malayan Banking Berhad in relation to the indebtedness of the Goldease Group to Malayan Banking Berhad;

(vi) there having been no breach of any of the representations, warranties and undertakings as prescribed in the Disposal Agreement by the Vendor; and

(vii) there having been no breach of any of the representations, warranties and undertakings as prescribed in the Disposal Agreement by the Purchaser.

If any of the above conditions has not been fulfilled (or waived by the Purchaser or the Vendor, as the case may be, with regards to conditions (iii), (vi) and (vii)) by 31 March 2010 or such later date as may be agreed in writing between the Vendor and the Purchaser, the provision of the Disposal Agreement shall from such date have no effect and no party shall have any liability thereunder (without prejudice to the rights of either party in respect of antecedent breaches).

We are not aware of any of the above terms which are unusual and we are of the view that the terms of the Disposal Agreement are on normal commercial terms.

**4. Basis of consideration and valuation of the Properties**

Effectively, the cash consideration of S$10,150,000 (equivalent to approximately HK$56.4 million) is approximately equivalent to the difference between the principal amount of Sale Loan as at the date of Completion and the unaudited consolidated net liabilities of Goldease plus the excess of the Properties based on the market value of the Properties as at 30 September 2009 set out in the valuation report (the "Valuation Report") by Savills, an independent professional valuer over the net book value of the Properties as at 30 September 2009. Further details of the Valuation Report are set out in Appendix IV to the Circular.

We have discussed with the Valuer and note from the Valuation Report that the Valuer has valued such excess of the Properties on an open market basis by the sales comparison method and by making reference to comparable sales evidence as available in the relevant market. Based on our discussion with the Valuer, we consider that the methodology applied by the Valuer is consistent with market practice and the underlying basis for valuation of such excess of the Properties is fair and reasonable.

Apart from the discussion with the Valuer, we have conducted researches in comparing similar transactions among the Singapore private residential property market. In respect of the Properties at Balmoral Park, it is noted from URA that the most recent transaction was recorded in September 2009 and such property was changed hands at S$1,451 per square feet ("psf"). Given the valuation of the Properties at Balmoral Park by the Valuer which ranged from S$14,554 per square metre ("psm") to S$16,316 psm (equivalent to approximately from S$1,352 psf to S$1,516 psf) and the thin turnover recorded at Balmoral Park, it is considered that the appraised value of each Properties in Balmoral Park is market value. In respect of the Properties at ten@suffolk, it is noted from URA that two transactions were recorded in November 2009 and such properties were changed hands ranged at S$1,104 psf and S$1,180 psf respectively. Given the valuation of the Properties at ten@suffolk by the Valuer which ranged from S$12,212 psm to S$12,327 psm (equivalent to approximately from S$1,135 psf to S$1,145 psf) and the thin turnover recorded at ten@suffolk, it is considered that the appraised value of each Properties at ten@suffolk is market value.

Given the underlying asset to be disposed of under the Disposal and the cash consideration being arrived at after arm's length negotiations and determined on normal commercial terms between the relevant parties after taking into account (i) the unaudited consolidated net liabilities of Goldease of S$11,686,129 (equivalent to approximately HK$65.0 million) as at 30 September 2009; (ii) the principal amount of the Sale Loan of not more than S$20,700,000 (equivalent to approximately HK$115.1 million) and not less than S$20,690,000 (equivalent to approximately HK$115.0 million) as at the date of Completion; (iii) the excess of the Properties of approximately S$1,140,000 (equivalent to approximately HK$6.3 million) based on the valuation of the Properties as at 30 September 2009 by the Valuer over the net book value of the Properties owned by the Goldease Group as at 30 September 2009; and (iv) deducting the relevant tax liability arising from such excess, there would be a gain on disposal and the Directors are of the view that the cash consideration of S$10,150,000 (equivalent to approximately HK$56.4 million) for the Sale Share and the Sale Loan is fair and reasonable.

Based on our analysis above, we concur with the Directors' view that the cash consideration is fair and reasonable.

Having taken into account that (i) no unusual terms is identified under the Disposal Agreement and (ii) the cash consideration has been determined between the parties on an arm's length basis based on the difference of the unaudited consolidated net liabilities of Goldease as at 30 September 2009 and the principal amount of the Sale Loan as at the date of Completion having adjusted for the excess of the Properties based on the valuation of the Properties as at 30 September 2009 as assessed by the Valuer by adopting the sales comparison approach available in the relevant market over the book value of the Properties, we are of the view that the terms of the Disposal Agreement are on normal commercial terms.

**5. Expected financial impact of the Disposal**

***5.1 Gain on disposal***

Based on the unaudited pro forma balance sheet of the Remaining Group set out in Appendix III to the Circular, which was prepared based on the audited consolidated balance sheet of the Group as at 30 September 2009 and on the assumption that the Disposal had been completed on 30 September 2009, the Group would record a gain of approximately HK$12.2 million from the Disposal. In particular, such gain on disposal is calculated as the difference between the net proceed from the disposal of approximately HK$54.4 million and the aggregate sum of (i) the audited consolidated net liabilities of the Goldease Group as at 30

September 2009 (amounting to approximately HK$63.5 million); (ii) the Sale Loan as at the date of Completion (amounting to approximately S$20,700,000 (equivalent to approximately HK$115.1 million)); and (iii) the exchange reserve attributable to the Goldease Group of approximately HK$9.4 million.

After completion of the Disposal, Goldease will cease to be a subsidiary of the Group and the results of the Goldease Group will no longer be consolidated into the financial statements of the Group. Given that the Disposal, in which the Properties has been valued by the Valuer on an open market basis by the sales comparison method (details of which are set out in the section headed "Basis of consideration and valuation of the disposed assets" above), is expected to have an one-off positive impact on the earnings of the Company and will allow the Group to successfully monetise its entire interest in the Goldease Group, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

***5.2 Cash position and gearing***

As at 30 September 2009, cash and cash equivalents of the Group amounted to approximately HK$5.0 million. Based on the unaudited pro forma consolidated balance sheet of the Remaining Group set out in Appendix III to the Circular, which was prepared on the basis of the audited consolidated balance sheet of the Group as at 30 September 2009 and on the assumption that the Disposal had been completed on 30 September 2009, the cash and cash equivalents of the Remaining Group would be increased by approximately HK$76.8 million from approximately HK$5.0 million to approximately HK$81.8 million as a result of the receipt of the cash consideration and the repayment of Sale Loan.

As at 30 September 2009, the gearing ratio (i.e. total liabilities to shareholders' equity) of the Group was 64.1%. After the Disposal, the gearing ratio would be reduced by 1.7% to 62.4%.

Given that the cash proceeds from the Disposal will strengthen the financial resources and reduce the interest expenses of the Group, which will be utilised by the Group to pursue future business development opportunities as and when arise, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

## RECOMMENDATIONS

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the Disposal respectively.

Yours faithfully,
For and on behalf of
**Goldin Financial Limited**

**Jenny Leung**
*Director*

**Billy Tang**
*Director*

## (A) ACCOUNTANTS' REPORT ON THE GROUP

*The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.*

CCIF

**CCIF CPA LIMITED**

20/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

24 December 2009

The Directors
Winfoong International Limited

Dear Sirs,

**Introduction**

We set out below our report on the financial information (the "Financial Information") of Winfoong International Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to IV below, for inclusion in the circular of the Company dated 24 December 2009 (the "Circular") in connection with the proposed disposal of the entire controlling equity interest in Goldease Investments Limited ("Goldease") and its subsidiaries (hereinafter collectively referred to as the "Goldease Group"). The Financial Information comprises the consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 September 2009, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Bermuda under The Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability.

As at the date of this report, the Company has direct and indirect interests in the principal subsidiaries as set out in Note 32 of Section II below. All of these companies have adopted 31 December as their financial year end date.

The consolidated financial statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 were audited by CCIF CPA Limited.

The Financial Information has been prepared based on the audited consolidated financial statements or where appropriate, unaudited consolidated financial statements of the Group with no adjustment made thereon.

**Directors' responsibility**

The directors of the Company during the Relevant Periods are responsible for the preparation and the true and fair presentation of the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the nine months ended 30 September 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 1 of Section II below which are in conformity with HKFRSs.

**Reporting accountant's responsibility**

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the audited consolidated financial statements or, where appropriate, the unaudited consolidated financial statements of the Group used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the nine months ended 30 September 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Opinion and review conclusion**

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, for the purpose of this report, gives a true and fair view of the state of the Group's affairs as at 31 December 2006, 2007 and 2008 and 30 September 2009 and of the Group's results and cash flows for the respective years/period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the nine months ended 30 September 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 1 of Section II below which are in conformity with HKFRSs.

## I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information ("Financial Information") of the Group for each of the years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2008 and 2009.

### 1. Consolidated income statement

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | *Note* | **2006** | **2007** | **2008** | **2008** | **2009** |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **Turnover** | *2 & 10* | 26,169 | 29,339 | 48,533 | 47,682 | 23,422 |
| Cost of sales | | (8,743) | (16,793) | (44,579) | (44,680) | (20,193) |
| **Gross profit** | | 17,426 | 12,546 | 3,954 | 3,002 | 3,229 |
| Valuation gains on investment property | | 20,963 | 14,173 | 75,501 | – | – |
| Fair value gain on transfer of investment properties to properties under development | | – | – | – | – | 101,990 |
| Other revenue | *3* | 309 | 302 | 153 | 111 | 136 |
| Other net income/(expense) | *3* | 1,969 | 1,415 | 510 | 591 | (895) |
| (Write-down)/Reversal of write-down of inventories | | – | – | (25,908) | – | 2,003 |
| Operating and administrative expenses | | (39,776) | (33,218) | (19,741) | (13,999) | (17,697) |
| **Profit/(loss) from operations** | | 891 | (4,782) | 34,469 | (10,295) | 88,766 |
| Finance costs | *4(a)* | (24,374) | (13,490) | (179) | (166) | (271) |
| Share of profit of an associate | | 178,070 | 28,145 | – | – | – |
| Impairment loss on goodwill | *12* | – | (321,122) | – | – | – |
| **Profit/(loss) before taxation** | *4* | 154,587 | (311,249) | 34,290 | (10,461) | 88,495 |
| Income tax (expense)/credit | *5* | (4,055) | (1,021) | 5,505 | 422 | 16,502 |
| **Profit/(loss) for the year/period** | | 150,532 | (312,270) | 39,795 | (10,039) | 104,997 |

| | Note | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2006 | 2007 | 2008 | 2008 | 2009 |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **Attributable to:** | | | | | | |
| Equity shareholders of the Company | | 150,532 | (312,270) | 39,795 | (10,039) | 104,997 |
| Minority interests | | – | – | – | – | – |
| **Profit/(loss) for the year/period** | | 150,532 | (312,270) | 39,795 | (10,039) | 104,997 |
| Dividend | *9* | – | 1,731,047 | – | – | – |
| **Earnings/(loss) per share** | *8* | | | | | |
| Basic | | HK cents 10.09 | HK cents (16.70) | HK cents 1.66 | HK cents (0.42) | HK cents 4.39 |
| Diluted | | 10.02 | (16.70) | 1.66 | (0.42) | 4.39 |

The accompanying notes are an integral part of the Financial Information.

## 2. Consolidated statement of comprehensive income

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (Unaudited) | |
| **Profit/(loss) for the year/period** | 150,532 | (312,270) | 39,795 | (10,039) | 104,997 |
| **Other comprehensive income/ (expenses) for the year/ period (after tax and reclassification adjustments)** | | | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax | (162) | 5,570 | (280) | (928) | 2,680 |
| Available-for-sale securities: net movement in the fair value reserve, net of nil tax | 260 | 380 | (380) | – | (160) |
| Share of other comprehensive income of associate, net of nil tax | 41,100 | 6,226 | – | – | – |
| | 41,198 | 12,176 | (660) | (928) | 2,520 |
| **Total comprehensive income/ (expenses) for the year/ period** | 191,730 | (300,094) | 39,135 | (10,967) | 107,517 |
| **Attributable to:** | | | | | |
| Equity shareholders of the Company | 191,730 | (300,094) | 39,135 | (10,967) | 107,517 |
| Minority interests | – | – | – | – | – |
| **Total comprehensive income/ (expenses) for the year/ period** | 191,730 | (300,094) | 39,135 | (10,967) | 107,517 |

The accompanying notes are an integral part of the Financial Information.

### 3. Consolidated balance sheet

| | Note | As at 31 December 2006 HK$'000 | As at 31 December 2007 HK$'000 | As at 31 December 2008 HK$'000 | As at 30 September 2009 HK$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Fixed assets | *11* | | | | |
| – Investment property | | 1,994,320 | 273,320 | 355,320 | 320 |
| – Other property, plant and equipment | | 4,685 | 3,676 | 4,116 | 3,258 |
| – Interest in leasehold land held for own use under operating leases | | 464 | 452 | 440 | 431 |
| | | 1,999,469 | 277,448 | 359,876 | 4,009 |
| Goodwill | *12* | – | – | – | – |
| Interest in an associate | *13* | 612,771 | – | – | – |
| Pledged bank deposits | *17(a)* | 912 | 10 | 4 | 5 |
| Other financial assets | *14* | 2,600 | 2,534 | 1,610 | 4,620 |
| Deferred tax assets | *22(b)* | – | – | – | 16,700 |
| | | 2,615,752 | 279,992 | 361,490 | 25,334 |
| **Current assets** | | | | | |
| Inventories | *15* | 12,728 | 160,965 | 94,531 | 553,718 |
| Trade and other receivables | *16* | 8,097 | 3,529 | 2,341 | 117,121 |
| Tax recoverable | *22(a)* | 83 | 8 | 1 | – |
| Cash and cash equivalents | *17(a)* | 4,342 | 5,485 | 2,486 | 5,030 |
| | | 25,250 | 169,987 | 99,359 | 675,869 |
| **Current liabilities** | | | | | |
| Trade and other payables | *18* | 22,305 | 11,557 | 9,937 | 136,171 |
| Bank borrowings | *19* | 81,891 | – | 235 | 245 |
| Tax payables | *22(a)* | – | 856 | 504 | 489 |
| | | 104,196 | 12,413 | 10,676 | 136,905 |
| **Net current (liabilities)/assets** | | (78,946) | 157,574 | 88,683 | 538,964 |
| **Total assets less current liabilities** | | 2,536,806 | 437,566 | 450,173 | 564,298 |

| | Note | As at 31 December 2006 HK$'000 | As at 31 December 2007 HK$'000 | As at 31 December 2008 HK$'000 | As at 30 September 2009 HK$'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Bank borrowings | *19* | 396,234 | 150,829 | 130,306 | 136,997 |
| Loan from a fellow subsidiary | *27(b)* | – | 302 | – | – |
| Deferred income | | 5,582 | – | – | – |
| Deferred tax liabilities | *22(b)* | 250,700 | 5,786 | 83 | – |
| | | 652,516 | 156,917 | 130,389 | 136,997 |
| **NET ASSETS** | | 1,884,290 | 280,649 | 319,784 | 427,301 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | *23(b)* | 74,620 | 119,620 | 119,620 | 119,620 |
| Reserves | | 1,809,670 | 161,029 | 200,164 | 307,681 |
| **Total equity attributable to equity shareholders of the Company** | | 1,884,290 | 280,649 | 319,784 | 427,301 |
| **Minority interests** | | – | – | – | – |
| **TOTAL EQUITY** | | 1,884,290 | 280,649 | 319,784 | 427,301 |

The accompanying notes are an integral part of the Financial Information.

## 4. Consolidated statement of changes in equity

| | 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 |
| | *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 2006 | 74,620 | 196,873 | 121 | 618,098 | 8,911 | (143,777) | 519 | 937,195 | 1,692,560 | – | 1,692,560 |
| Total comprehensive income for the year | – | – | – | – | – | 40,885 | 313 | 150,532 | 191,730 | – | 191,730 |
| At 31 December 2006 | 74,620 | 196,873 | 121 | 618,098 | 8,911 | (102,892) | 832 | 1,087,727 | 1,884,290 | – | 1,884,290 |
| 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 |
| Cancellation of share premium | – | (196,873) | – | 196,873 | – | – | – | – | – | – | – |
| Realisation of reserve upon distribution in specie | – | – | – | – | – | 103,027 | (627) | (102,400) | – | – | – |
| Share issued for acquisition of subsidiaries | 45,000 | – | – | 382,500 | – | – | – | – | 427,500 | – | 427,500 |
| Cancellation of shares options | – | – | – | – | (8,911) | – | – | 8,911 | – | – | – |
| Total comprehensive income for the year | – | – | – | – | – | 11,741 | 435 | (312,270) | (300,094) | – | (300,094) |
| Distribution in specie | – | – | – | (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 |
| At 1 January 2008 | 119,620 | – | 121 | – | – | 11,876 | 640 | 148,392 | 280,649 | – | 280,649 |
| Total comprehensive income for the year | – | – | – | – | – | (280) | (380) | 39,795 | 39,135 | – | 39,135 |
| At 31 December 2008 | 119,620 | – | 121 | – | – | 11,596 | 260 | 188,187 | 319,784 | – | 319,784 |
| At 1 January 2009 | 119,620 | – | 121 | – | – | 11,596 | 260 | 188,187 | 319,784 | – | 319,784 |
| Total comprehensive income for the period | – | – | – | – | – | 2,680 | (160) | 104,997 | 107,517 | – | 107,517 |
| At 30 September 2009 | 119,620 | – | 121 | – | – | 14,276 | 100 | 293,184 | 427,301 | – | 427,301 |

The accompanying notes are an integral part of the Financial Information.

## 5. Consolidated cash flow statement

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | *Note* | 2006 | 2007 | 2008 | 2008 | 2009 |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **Operating activities** | | | | | | |
| Cash (used in)/generated from operations | *17(b)* | (16,895) | (11,915) | 25,901 | 30,161 | 6,488 |
| Tax paid | | | | | | |
| Hong Kong profits tax paid | | (85) | (6) | – | – | – |
| Hong Kong profits tax refunded | | 4 | 1 | 7 | 7 | 1 |
| PRC income tax refunded | | 14 | – | – | – | – |
| Singapore income tax paid | | – | – | (642) | (636) | (318) |
| **Net cash (used in)/ generated from operating activities** | | (16,962) | (11,920) | 25,266 | 29,532 | 6,171 |
| **Investing activities** | | | | | | |
| Withdrawal of/(increase in) pledged bank deposits | | – | 231 | 6 | 7 | (1) |
| Payment for purchase of available-for-sale unlisted debt securities | | – | – | – | – | (3,170) |
| Payment for purchase of fixed assets | | (10,521) | (23,293) | (8,105) | (6,901) | (7,244) |
| Proceeds from sale of fixed assets | | 341 | 158 | 22 | 22 | 257 |
| Proceeds from disposal of other financial assets | | 203 | – | – | – | – |
| Loan repaid by a director of a subsidiary | | – | 500 | 490 | 490 | – |
| Loan repaid by a fellow subsidiary | | – | – | 54 | 54 | – |
| Interest received | | 201 | 98 | 22 | 19 | 24 |
| Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries | | – | (13,144) | – | – | – |
| **Net cash used in investing activities** | | (9,776) | (35,450) | (7,511) | (6,309) | (10,134) |

| | Note | Year ended 31 December 2006 HK$'000 | 2007 HK$'000 | 2008 HK$'000 | Nine months ended 30 September 2008 HK$'000 (unaudited) | 2009 HK$'000 |
|---|---|---|---|---|---|---|
| **Financing activities** | | | | | | |
| Increase in amount due to a related company | | – | 3,558 | 508 | 10 | – |
| Increase/(decrease) in amount due to a fellow subsidiary | | – | 248 | (302) | (302) | – |
| Increase in amount due to the ultimate holding company | | – | – | 146 | 9 | 62 |
| Proceeds from new bank loans | | 90,860 | 362,000 | 17,454 | 12,340 | 34,195 |
| Repayment of bank loans | | (40,158) | (297,611) | (38,163) | (37,648) | (27,530) |
| Interest paid | | (23,250) | (13,277) | (372) | (166) | (271) |
| Net outflow of cash and cash equivalents in respect of distribution in specie | | – | (6,996) | – | – | – |
| **Net cash generated from/(used in) financing activities** | | 27,452 | 47,922 | (20,729) | (25,757) | 6,456 |
| **Net increase/(decrease) in cash and cash equivalents** | | 714 | 552 | (2,974) | (2,534) | 2,493 |
| **Cash and cash equivalents at the beginning of the year/period** | | 3,615 | 4,342 | 5,485 | 5,485 | 2,486 |
| **Effect of foreign exchange rate changes** | | 13 | 591 | (25) | (278) | 51 |
| **Cash and cash equivalents at the end of the year/ period** | | 4,342 | 5,485 | 2,486 | 2,673 | 5,030 |

The accompanying notes are an integral part of the Financial Information.

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

The Financial Information set out in this report has 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. The Financial Information 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 a number of new and revised HKFRSs. For the purposes of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the nine months ended 30 September 2009. The revised and new accounting standards and interpretations issued but not yet effective for the period ended 30 September 2009 are set out in note 31.

#### b) Basis of preparation of the Financial Information

The Financial Information is presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand, which is the same as the functional currency of the Company. 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(e));

– other buildings (see note 1(f)); and

– financial instruments classified as available-for-sale securities (see note 1(d)).

The preparation of Financial Information 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 Information and estimates with a significant risk of material adjustment in the next year/period are discussed in note 30.

#### c) Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries.

*(i) Subsidiaries and minority interests*

Subsidiaries are entities controlled by the Group. Control exists when the Company 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. The financial statements of subsidiaries are included in the Financial Information 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 Financial Information. 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 within 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 and the consolidated statements of comprehensive income as an allocation of the total profit or loss for the year/period 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.

*(ii) 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, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(h)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

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 associate 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.

*(iii) 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 arising from a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is test annually for impairment (see note 1(h)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objection evidence of impairment.

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/period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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

The Group'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 fair value, 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(q)(vi) and (vii).

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 1(h)).

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(h)).

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 in other comprehensive income and accumulated separately in equity in the fair value reserve, 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(q)(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(q)(vii). When these investments are derecognised or impaired (see note 1(h)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

**e) Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being contracted or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. 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(q)(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(g)), 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(g).

**f) 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:

– freehold land and buildings; and

– 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(g)).

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(h)).

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. 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(s)).

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 and is not reclassified to profit or loss.

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.

**g) 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(e)); 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(e)) or is held for development for sale (see note 1(i)(ii)).

**h) 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: see note 1(h)(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 investments in associates recognized using the equity method (see note 1(c)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(h)(ii).

– 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 carried at cost 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 fair value reserve is reclassified to 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 in other comprehensive income.

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 (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 fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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.

**i) 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(s)). 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.

**j) 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(h)), 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.

**k) 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.

**l) 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(p)(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.

**m) 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.

**n) 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 share-based compensation 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).

**o) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

**p) 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(p)(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(p)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(p)(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.

**q) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. 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 later of signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. 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 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.

**r) 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 in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profits or loss on disposal is recognised.

**s) 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.

**t) Related parties**

For the purposes of the Financial Information, 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.

**u) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2. TURNOVER

The principal activities of the Group for the Relevant Periods 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/period is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Gross rentals from investment and other properties | 20,488 | 13,455 | 1,612 | 1,101 | 1,706 |
| Gross proceeds from properties sold | 2,091 | 12,107 | 43,128 | 43,878 | 19,199 |
| Revenue from provision of property management services | 389 | 331 | 289 | 213 | 222 |
| Revenue from provision of property construction services | – | 137 | – | – | – |
| Revenue from provision of horticultural services | 3,201 | 3,309 | 3,504 | 2,490 | 2,295 |
| | 26,169 | 29,339 | 48,533 | 47,682 | 23,422 |

## 3. OTHER REVENUE AND NET INCOME/(EXPENSES)

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **Other revenue** | | | | | |
| Interest income | | | | | |
| – banks | 139 | 98 | 16 | 13 | 23 |
| – others | 63 | 39 | 6 | 6 | 1 |
| | 202 | 137 | 22 | 19 | 24 |
| Others | 107 | 165 | 131 | 92 | 112 |
| | 309 | 302 | 153 | 111 | 136 |
| **Other net income/ (expenses)** | | | | | |
| Gain/(loss) on disposal of fixed assets | (150) | 35 | – | – | (9) |
| Loss on disposal of other financial assets | (208) | – | – | – | – |
| Revaluation (losses)/gains on buildings | (48) | 40 | (9) | – | – |
| Write-off of long outstanding creditor | 2,358 | – | – | – | – |
| Net foreign exchange gain/(loss) | 17 | 1,340 | 519 | 591 | (886) |
| | 1,969 | 1,415 | 510 | 591 | (895) |

## 4. PROFIT/(LOSS) BEFORE TAXATION

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| a) **Finance costs** | | | | | |
| Interest on bank borrowings wholly | | | | | |
| – repayable within five years | 18,025 | 18,153 | 3,470 | 2,794 | 1,190 |
| – repayable after five years | 7,291 | – | – | – | – |
| Interest on loan from a fellow subsidiary | – | 2 | – | – | – |
| Total interest expense on financial liabilities not at fair value through profit or loss | 25,316 | 18,155 | 3,470 | 2,794 | 1,190 |
| Less: Interest expense capitalised into properties under development* | (942) | (4,665) | (3,291) | (2,628) | (919) |
| | 24,374 | 13,490 | 179 | 166 | 271 |

* The borrowing costs have been capitalised at a rate of 4.62% to 5.13%, 3.59% to 6.41%, 0.99% to 4.47%, 2.04% to 4.47% and 0.84% to 1.18% per annum for the years ended 31 December 2006, 2007 and 2008, and for the nine months ended 30 September 2008 (unaudited) and 2009, respectively.

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (unaudited) | |
| **b) Staff costs (including director's remuneration)** | | | | | |
| Contributions to defined contribution retirement plan | 290 | 259 | 30 | 7 | 46 |
| Salaries, wages and other benefits | 24,072 | 13,364 | 2,881 | 2,024 | 2,324 |
| | 24,362 | 13,623 | 2,911 | 2,031 | 2,370 |
| **c) Other items** | | | | | |
| Amortisation of land lease premium | 12 | 12 | 12 | 9 | 9 |
| Depreciation of fixed assets | 655 | 1,058 | 1,136 | 826 | 833 |
| Auditors' remuneration | | | | | |
| – audit services | 444 | 629 | 463 | 216 | 383 |
| – tax services | 18 | 39 | 49 | 32 | 55 |
| – other services | 55 | 402 | 67 | 67 | – |
| Operating lease charges: minimum lease payments | | | | | |
| – hire of plant and machinery | 9 | 9 | 9 | 7 | 7 |
| – hire of other assets (including property rentals) | 2,463 | 2,634 | 2,631 | 1,973 | 2,040 |
| Impairment loss for bad and doubtful debts: | | | | | |
| – trade debtors | – | 97 | – | – | – |
| – other receivables | 611 | – | – | – | – |
| Share of an associate's taxation | 230 | 6,737 | – | – | – |
| Rentals received and receivable from investment and other properties | (20,488) | (13,455) | (1,612) | (1,101) | (1,706) |
| Less: direct outgoings | 6,070 | 3,738 | 1,149 | 903 | 851 |
| | (14,418) | (9,717) | (463) | (198) | (855) |
| Cost of inventories (note 15(c)) | 2,130 | 12,505 | 41,638 | 42,165 | 19,145 |

## 5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (unaudited) | |
| **Current tax – Hong Kong Profits Tax** | | | | | |
| Under-provision in respect of prior years | 10 | 8 | – | – | – |
| **Current tax – PRC Income Tax** | | | | | |
| Over-provision in respect of prior years | (14) | – | – | – | – |
| **Current tax – Singapore Income Tax** | | | | | |
| Provision for the year | – | – | 287 | 673 | 278 |
| **Deferred tax** | | | | | |
| Origination and reversal of temporary differences | 4,059 | 1,013 | (5,767) | (1,095) | (16,775) |
| Effect on deferred tax balances at 1 January resulting from a change in tax rate | – | – | (25) | – | (5) |
| | 4,059 | 1,013 | (5,792) | (1,095) | (16,780) |
| Income tax expense/(credit) | 4,055 | 1,021 | (5,505) | (422) | (16,502) |

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 Relevant Periods has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the year.

No provision for PRC Income Tax has been made as the Group did not have assessable profits subject to PRC Income Tax during the Relevant Periods.

The provision for Singapore Income Tax for the year ended 31 December 2008 and the nine months ended 30 September 2008 (unaudited) and 2009 is calculated at 18%, 18% and 17% of the normal chargeable income, respectively. However, no provision for Singapore Income Tax for the years ended 31 December 2006 and 2007 has been made as the Group has no estimated assessable profits arising in or derived from Singapore.

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Profit/(loss) before taxation | 154,587 | (311,249) | 34,290 | (10,461) | 88,495 |
| Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned | 27,053 | (54,459) | 5,271 | (1,723) | 14,616 |
| Tax effect of non-deductible expenses | 1,585 | 57,331 | 244 | 155 | 361 |
| Tax effect of non-taxable income | (1,310) | (701) | (12,317) | (421) | (16,214) |
| Tax effect of recognition of prior years' tax losses in current period | – | – | – | – | (16,700) |
| Tax effect of unused tax losses not recognised | 7,788 | 4,773 | 2,054 | 958 | 723 |
| Tax effect of prior years' tax losses utilised this year/period | (403) | (573) | (254) | 672 | (2,362) |
| Tax effect of share of profit of an associate | (31,162) | (4,925) | – | – | – |
| Under-provision in prior years – Hong Kong Profit Tax | 10 | 8 | – | – | – |
| Overprovision in prior years – PRC Income Tax | (14) | – | – | – | – |
| Effect on deferred tax balances at 1 January resulting from a change in tax rate | – | – | (25) | – | (5) |
| Others | 508 | (433) | (478) | (63) | 3,079 |
| Actual tax expense/(credit) | 4,055 | 1,021 | (5,505) | (422) | (16,502) |

## 6. DIRECTORS' REMUNERATION

The emolument paid or payable to each of directors during the Relevant Periods were as follows:

**For the year ended 31 December 2006**

| | Directors' fee *HK$'000* | Salaries, allowances and benefits in kind *HK$'000* | Discretionary bonuses *HK$'000* | Retirement scheme contributions *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Executive directors: | | | | | |
| Cheong Pin Chuan, Patrick | – | 2,176 | – | 12 | 2,188 |
| Cheong Kim Pong | – | 98 | – | – | 98 |
| Cheong Sim Eng | – | 1,317 | 1,500 | 12 | 2,829 |
| 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 | – | – | 300 | – | 300 |
| Cheong Hooi Kheng * | – | 143 | – | 7 | 150 |
| | 300 | 3,734 | 1,800 | 31 | 5,865 |

**For the year ended 31 December 2007**

| | Directors' fee *HK$'000* | Salaries, allowances and benefits in kind *HK$'000* | Discretionary bonuses *HK$'000* | Retirement scheme contributions *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| 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 |
| | 300 | 2,260 | – | 18 | 2,578 |

**For the year ended 31 December 2008**

| | Directors' fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Retirement scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| 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 * | – | – | – | – | – |
| | 300 | 458 | – | – | 758 |

**For the nine months ended 30 September 2008 (unaudited)**

| | Directors' fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Retirement scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Executive directors: | | | | | |
| Cheong Pin Chuan, Patrick | – | 343 | – | – | 343 |
| Cheong Kim Pong | – | – | – | – | – |
| Cheong Sim Eng | – | – | – | – | – |
| Independent non-executive directors: | | | | | |
| Kan Fook Yee | – | – | – | – | – |
| Lai Hing Chiu, Dominic | – | – | – | – | – |
| Chan Yee Hoi, Robert | – | – | – | – | – |
| Non-executive directors: | | | | | |
| Lim Ghee | – | – | – | – | – |
| Cheong Hooi Kheng * | – | – | – | – | – |
| | – | 343 | – | – | 343 |

**For the nine months ended 30 September 2009**

| | Directors' fee *HK$'000* | Salaries, allowances and benefits in kind *HK$'000* | Discretionary bonuses *HK$'000* | Retirement scheme contributions *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Executive directors: | | | | | |
| Cheong Pin Chuan, Patrick | – | 839 | – | – | 839 |
| Cheong Kim Pong | – | – | – | – | – |
| Cheong Sim Eng | – | – | – | – | – |
| Independent non-executive directors: | | | | | |
| Kan Fook Yee | – | – | – | – | – |
| Lai Hing Chiu, Dominic | – | – | – | – | – |
| Chan Yee Hoi, Robert | – | – | – | – | – |
| Leung Wing Ning | – | – | – | – | – |
| Non-executive directors: | | | | | |
| Lim Ghee | – | – | – | – | – |
| Cheong Hooi Kheng * | – | – | – | – | – |
| | – | 839 | – | – | 839 |

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

For the years ended 31 December 2006 and 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$720,000 and HK$420,000, respectively.

## 7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the Relevant Periods are set forth below:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 *HK$'000* | 2007 *HK$'000* | 2008 *HK$'000* | 2008 *HK$'000* (unaudited) | 2009 *HK$'000* |
| Directors of the Company | 2 | 2 | 1 | 1 | 1 |
| Non-directors of the Company | 3 | 3 | 4 | 4 | 4 |

The emoluments of the Company's directors are disclosed in note 6. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Salaries and other emoluments | 6,301 | 3,698 | 968 | 691 | 676 |
| Compensation for loss of office | – | – | 21 | 21 | – |
| Discretionary bonuses | 3,530 | 570 | – | – | – |
| Retirement scheme contributions | 36 | 21 | 42 | 32 | 30 |
| | 9,867 | 4,289 | 1,031 | 744 | 706 |

The emoluments of the above mentioned individuals with the highest emoluments are within the following bands:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Nil – HK$1,000,000 | – | 1 | 4 | 4 | 4 |
| HK$1,000,001 – HK$1,500,000 | – | 1 | – | – | – |
| HK$1,500,001 – HK$2,000,000 | 1 | – | – | – | – |
| HK$2,000,001 – HK$2,500,000 | – | 1 | – | – | – |
| HK$3,000,001 – HK$3,500,000 | 1 | – | – | – | – |
| HK$5,000,001 – HK$5,500,000 | 1 | – | – | – | – |

## 8. EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per share for the Relevant Periods is based on the following data:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share attributable to owners of the Company | 150,532 | (312,270) | 39,795 | (10,039) | 104,997 |
| | **Number of shares** | **Number of shares** | **Number of shares** | **Number of shares** | **Number of shares** |
| | *'000* | *'000* | *'000* | *'000* (unaudited) | *'000* |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | 1,492,411 | 1,869,671 | 2,392,411 | 2,392,411 | 2,392,411 |

### 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 and the nine months ended 30 September 2008 (unaudited) and 2009, while the exercise of the Company's outstanding share options would result in a decrease in loss per share for the year ended 31 December 2007.

The calculation of diluted earnings per share for the year ended 31 December 2006 is based on the profit attributable to ordinary equity shareholders of the Company of HK$150,532,000 and the weighted average number of 1,502,927,847 ordinary shares, calculated as follows:

| | |
|---|---|
| Weighted average number of ordinary shares at 31 December 2006 | 1,492,410,986 |
| Effect of deemed issue of shares under the Company's share options | 10,516,861 |
| Weighted average number of ordinary shares (diluted) at 31 December 2006 | 1,502,927,847 |

## 9. DIVIDEND

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Distribution in specie *(note)* | – | 1,731,047 | – | – | – |

*Note:* Pursuant to the group reorganisation (the "Group Reorganisation") as detailed in note 28 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 ("HFL"), 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* |
| **Net assets of HFL and its subsidiaries (together, the "HFL Group") distributed:** | |
| 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 | (5,512) |
| Net assets distributed to the equity shareholders of the Company | (1,731,047) |
| **Analysis of net cash outflow in respect of the distribution in specie** | |
| Cash and cash equivalents distributed | (6,996) |

The directors of the Company do not recommend the payment of a final dividend in respect of the years ended 31 December 2006, 2007 and 2008 and an interim dividend for the nine months ended 30 September 2008 (unaudited) and 2009.

## 10. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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 presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property investment and management: this segment leases the Group's properties to generate rental income and to gain from the appreciation in the properties' value in the long term, and provides building management services. Currently the Group's investment property portfolio is located entirely in Hong Kong.

– Property construction and development: this segment develops and sells the Group's residential properties. Currently the Group's activities in this regard are carried out in Hong Kong, Mainland China and Singapore.

– Horticultural services: this segment provides horticultural services. Currently the Group's activities in this regard are carried out in Hong Kong.

### a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, 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, intangible assets and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors 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 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 share of profits less losses of associates, directors' and auditors' remuneration and other 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 loses 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.

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 Relevant Period is set out below.

**For the year ended 31 December 2006**

| | Property investment and management *HK$'000* | Property construction and development – Hong Kong and Mainland China *HK$'000* | Property construction and development – Singapore *HK$'000* | Horticultural services *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customers | 21,115 | 1,853 | – | 3,201 | 26,169 |
| Inter-segment revenue | 761 | 11,912 | – | – | 12,673 |
| **Reportable segment revenue** | 21,876 | 13,765 | – | 3,201 | 38,842 |
| **Reportable segment profit/(loss) (adjusted EBITDA)** | 33,517 | (1,676) | 2,032 | 458 | 34,331 |
| Interest income | 45 | 2 | – | – | 47 |
| Interest expenses | (24,374) | – | – | – | (24,374) |
| Depreciation and amortisation for the year | (173) | (2) | – | (65) | (240) |
| Share of profit of an associate | 178,070 | – | – | – | 178,070 |
| Valuation gains on investment property | 20,963 | – | – | – | 20,963 |
| Income tax (expense)/credit | 4,069 | (14) | – | – | 4,055 |
| **Reportable segment assets** | 2,000,352 | 12,908 | 87 | 997 | 2,014,344 |
| Additions to non-current segment assets during the year | 7,101 | 14 | – | 305 | 7,420 |
| **Reportable segment liabilities** | 498,899 | 6,127 | 60 | 216 | 505,302 |

**For the year ended 31 December 2007**

| | **Property investment and management** *HK$'000* | **Property construction and development – Hong Kong and Mainland China** *HK$'000* | **Property construction and development – Singapore** *HK$'000* | **Horticultural services** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customers | 13,111 | 137 | 12,782 | 3,309 | 29,339 |
| Inter-segment revenue | 420 | 20,406 | – | – | 20,826 |
| **Reportable segment revenue** | 13,531 | 20,543 | 12,782 | 3,309 | 50,165 |
| **Reportable segment profit/(loss) (adjusted EBITDA)** | 22,355 | 3,176 | 105 | 679 | 26,315 |
| Interest income | 32 | – | 2 | – | 34 |
| Interest expenses | (12,979) | – | (511) | – | (13,490) |
| Depreciation and amortisation for the year | (96) | (3) | (80) | (65) | (244) |
| Impairment of goodwill | – | – | (321,122) | – | (321,122) |
| Share of profit of an associate | 28,145 | – | – | – | 28,145 |
| Valuation gains on investment property | 14,173 | – | – | – | 14,173 |
| Income tax (expense)/credit | (1,538) | – | 517 | – | (1,021) |
| **Reportable segment assets** | 273,616 | 155 | 167,221 | 1,005 | 441,997 |
| Additions to non-current segment assets during the year | 23,055 | – | 17 | 4 | 23,076 |
| **Reportable segment liabilities** | 124,471 | 4,391 | 29,550 | 221 | 158,633 |

**For the year ended 31 December 2008**

| | **Property investment and management** *HK$'000* | **Property construction and development – Hong Kong and Mainland China** *HK$'000* | **Property construction and development – Singapore** *HK$'000* | **Horticultural services** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customers | 289 | – | 44,740 | 3,504 | 48,533 |
| Inter-segment revenue | – | 6,425 | – | – | 6,425 |
| **Reportable segment revenue** | 289 | 6,425 | 44,740 | 3,504 | 54,958 |
| **Reportable segment profit/(loss) (adjusted EBITDA)** | 74,871 | (659) | (25,431) | 748 | 49,529 |
| Interest income | 3 | – | 5 | – | 8 |
| Interest expenses | – | – | (157) | – | (157) |
| Depreciation and amortisation for the year | – | (3) | (200) | (65) | (268) |
| Valuation gains on investment property | 75,501 | – | – | – | 75,501 |
| Income tax credit | 440 | – | 5,065 | – | 5,505 |
| **Reportable segment assets** | 355,646 | 155 | 97,416 | 973 | 454,190 |
| Additions to non-current segment assets during the year | 6,499 | – | 29 | 8 | 6,536 |
| **Reportable segment liabilities** | 128,410 | 4,708 | 2,500 | 96 | 135,714 |

**For the nine months ended 30 September 2008 (unaudited)**

| | **Property investment and management** *HK$'000* | **Property construction and development – Hong Kong and Mainland China** *HK$'000* | **Property construction and development – Singapore** *HK$'000* | **Horticultural services** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customers | 212 | – | 44,980 | 2,490 | 47,682 |
| Inter-segment revenue | – | 5,179 | – | – | 5,179 |
| **Reportable segment revenue** | 212 | 5,179 | 44,980 | 2,490 | 52,861 |
| **Reportable segment profit/(loss) (adjusted EBITDA)** | (1,350) | (550) | 1,388 | 510 | (2) |
| Interest income | 2 | – | 4 | – | 6 |
| Interest expenses | – | – | (160) | – | (160) |
| Depreciation and amortisation for the year | – | – | (153) | (49) | (202) |
| Income tax credit | – | – | 422 | – | 422 |

**For the nine months ended 30 September 2009**

| | **Property investment and management** *HK$'000* | **Property construction and development – Hong Kong and Mainland China** *HK$'000* | **Property construction and development – Singapore** *HK$'000* | **Horticultural services** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customers | 222 | – | 20,905 | 2,295 | 23,422 |
| Inter-segment revenue | – | 8,542 | – | – | 8,542 |
| **Reportable segment revenue** | 222 | 8,542 | 20,905 | 2,295 | 31,964 |
| **Reportable segment profit/(loss) (adjusted EBITDA)** | 100,637 | (41) | 3,877 | 486 | 104,959 |
| Interest income | 22 | – | 1 | – | 23 |
| Interest expenses | – | – | – | – | – |
| Depreciation and amortisation for the period | – | (2) | (59) | (48) | (109) |
| Fair value gain on transfer of investment properties to properties under development | 101,990 | – | – | – | 101,990 |
| Income tax credit/(expense) | – | 16,700 | (198) | – | 16,502 |
| **Reportable segment assets** | 401 | 589,706 | 83,549 | 629 | 674,285 |
| Additions to non-current segment assets during the period | 7,010 | – | 40 | – | 7,050 |
| **Reportable segment liabilities** | 75 | 258,004 | 5,572 | 166 | 263,817 |

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **Revenue** | | | | | |
| Reportable segment revenue | 38,842 | 50,165 | 54,958 | 52,861 | 31,964 |
| Elimination of inter-segment revenue | (12,673) | (20,826) | (6,425) | (5,179) | (8,542) |
| Consolidated turnover | 26,169 | 29,339 | 48,533 | 47,682 | 23,422 |
| **Profit/(loss)** | | | | | |
| Reportable segment profit/ (loss) | 34,331 | 26,315 | 49,529 | (2) | 104,959 |
| Elimination of inter-segment profits | (710) | (3,042) | (725) | (588) | (1,173) |
| Reportable segment profit/ (loss) derived from Group's external customers | 33,621 | 23,273 | 48,804 | (590) | 103,786 |
| Share of profit of an associate | 178,070 | 28,145 | – | – | – |
| Other revenue and net income/(expenses) | 75 | 224 | 614 | 692 | (996) |
| Depreciation and amortisation | (667) | (1,070) | (1,148) | (835) | (842) |
| Finance costs | (24,374) | (13,490) | (179) | (166) | (271) |
| Impairment losses on goodwill | – | (321,122) | – | – | – |
| Unallocated corporate expenses | (32,138) | (27,209) | (13,801) | (9,562) | (13,182) |
| Income tax (expense)/credit | (4,055) | (1,021) | 5,505 | 422 | 16,502 |
| Consolidated profit/(loss) after taxation | 150,532 | (312,270) | 39,795 | (10,039) | 104,997 |

| | At 31 December | | | At 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets** | | | | |
| Reportable segment assets | 2,014,344 | 441,997 | 454,190 | 674,285 |
| Elimination of inter-segment receivables | – | – | – | – |
| | 2,014,344 | 441,997 | 454,190 | 674,285 |
| Interests in an associate | 612,771 | – | – | – |
| Non-current financial assets | | | | |
| Other financial assets | 2,600 | 2,534 | 1,610 | 4,620 |
| Tax recoverable | 83 | 8 | 1 | – |
| Deferred tax assets | – | – | – | 16,700 |
| Unallocated corporate assets | 11,204 | 5,440 | 5,048 | 5,598 |
| Consolidated total assets | 2,641,002 | 449,979 | 460,849 | 701,203 |
| **Liabilities** | | | | |
| Reportable segment liabilities | 505,302 | 158,633 | 135,714 | 263,817 |
| Elimination of inter-segment payables | – | – | – | – |
| | 505,302 | 158,633 | 135,714 | 263,817 |
| Current tax liabilities | – | 856 | 504 | 489 |
| Deferred tax liabilities | 250,700 | 5,786 | 83 | – |
| Unallocated corporate liabilities | 710 | 4,055 | 4,764 | 9,596 |
| Consolidated total liabilities | 756,712 | 169,330 | 141,065 | 273,902 |

**(c) Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, goodwill and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of goodwill, and the location of operations, in the case of interests in associates.

| | Revenue from external customers | | | | | Specified non-current assets | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | | Nine months ended 30 September | | As at 31 December | | | As at 30 September |
| | 2006 | 2007 | 2008 | 2008 | 2009 | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Hong Kong (place of domicile) | 26,169 | 16,557 | 3,793 | 2,702 | 2,517 | 1,994,469 | 276,857 | 359,477 | 3,876 |
| Mainland China | – | – | – | – | – | 5,000 | – | – | – |
| Singapore | – | 12,782 | 44,740 | 44,980 | 20,905 | 612,771 | 591 | 399 | 133 |
| | 26,169 | 29,339 | 48,533 | 47,682 | 23,422 | 2,612,240 | 277,448 | 359,876 | 4,009 |

## 11. FIXED ASSETS

### a) The Group

| | Buildings held for own use carried at fair value | Furniture, equipment and other fixed assets | Sub-total | Investment property | Property held for future development | Interests in leasehold land held for own use under operating leases | Total fixed assets |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost or valuation:** | | | | | | | |
| At 1 January 2006 | 460 | 13,245 | 13,705 | 1,966,640 | 183,400 | 600 | 2,164,345 |
| Exchange adjustments | – | 22 | 22 | – | – | – | 22 |
| Additions | – | 3,484 | 3,484 | 7,037 | – | – | 10,521 |
| Disposal | – | (3,200) | (3,200) | (320) | – | – | (3,520) |
| Deficit on revaluation | (48) | – | (48) | – | – | – | (48) |
| Less: elimination of accumulated depreciation | (12) | – | (12) | – | – | – | (12) |
| Fair value adjustment | – | – | – | 20,963 | – | – | 20,963 |
| At 31 December 2006 | 400 | 13,551 | 13,951 | 1,994,320 | 183,400 | 600 | 2,192,271 |
| **Representing:** | | | | | | | |
| Cost | – | 13,551 | 13,551 | – | 183,400 | 600 | 197,551 |
| Valuation – 2006 | 400 | – | 400 | 1,994,320 | – | – | 1,994,720 |
| | 400 | 13,551 | 13,951 | 1,994,320 | 183,400 | 600 | 2,192,271 |
| **Cost or valuation:** | | | | | | | |
| 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 | 430 | 4,832 | 5,262 | 273,320 | – | 600 | 279,182 |
| **Representing:** | | | | | | | |
| Cost | – | 4,832 | 4,832 | – | – | 600 | 5,432 |
| Valuation – 2007 | 430 | – | 430 | 273,320 | – | – | 273,750 |
| | 430 | 4,832 | 5,262 | 273,320 | – | 600 | 279,182 |

| | Buildings held for own use carried at fair value | Furniture, equipment and other fixed assets | Sub-total | Investment property | Property held for future development | Interests in leasehold land held for own use under operating leases | Total fixed assets |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost or valuation:** | | | | | | | |
| 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 | 410 | 6,364 | 6,774 | 355,320 | – | 600 | 362,694 |
| **Representing:** | | | | | | | |
| Cost | – | 6,364 | 6,364 | – | – | 600 | 6,964 |
| Valuation – 2008 | 410 | – | 410 | 355,320 | – | – | 355,730 |
| | 410 | 6,364 | 6,774 | 355,320 | – | 600 | 362,694 |
| **Cost or valuation:** | | | | | | | |
| At 1 January 2009 | 410 | 6,364 | 6,774 | 355,320 | – | 600 | 362,694 |
| Exchange adjustments | – | 30 | 30 | – | – | – | 30 |
| Additions | – | 234 | 234 | 7,010 | – | – | 7,244 |
| Disposal | – | (687) | (687) | – | – | – | (687) |
| Less: elimination of accumulated depreciation | (8) | – | (8) | – | – | – | (8) |
| Fair value adjustment | – | – | – | 101,990 | – | – | 101,990 |
| Transfer to properties under development for sale | – | – | – | (464,000) | – | – | (464,000) |
| At 30 September 2009 | 402 | 5,941 | 6,343 | 320 | – | 600 | 7,263 |
| **Representing:** | | | | | | | |
| Cost | – | 5,941 | 5,941 | – | – | 600 | 6,541 |
| Valuation – 2009 | 402 | – | 402 | 320 | – | – | 722 |
| | 402 | 5,941 | 6,343 | 320 | – | 600 | 7,263 |

| | 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 |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2006 | – | 11,630 | 11,630 | – | 183,400 | 124 | 195,154 |
| Exchange adjustments | – | 22 | 22 | – | – | – | 22 |
| Charge for the year | 12 | 643 | 655 | – | – | 12 | 667 |
| Written back on disposal | – | (3,029) | (3,029) | – | – | – | (3,029) |
| Elimination on revaluation | (12) | – | (12) | – | – | – | (12) |
| At 31 December 2006 | – | 9,266 | 9,266 | – | 183,400 | 136 | 192,802 |
| 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 |
| At 1 January 2009 | – | 2,658 | 2,658 | – | – | 160 | 2,818 |
| Exchange adjustments | – | 23 | 23 | – | – | – | 23 |
| Charge for the year | 8 | 825 | 833 | – | – | 9 | 842 |
| Written back on disposal | – | (421) | (421) | – | – | – | (421) |
| Elimination on revaluation | (8) | – | (8) | – | – | – | (8) |
| At 30 September 2009 | – | 3,085 | 3,085 | – | – | 169 | 3,254 |
| **Net book value:** | | | | | | | |
| At 30 September 2009 | 402 | 2,856 | 3,258 | 320 | – | 431 | 4,009 |
| 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 |
| At 31 December 2006 | 400 | 4,285 | 4,685 | 1,994,320 | – | 464 | 1,999,469 |

a) All investment properties of the Group were revalued as at 31 December 2006, 2007 and 2008, and 30 September 2009 at their open market value by reference to recent market transactions of comparable properties. The valuations were carried out by the independent firms of Surveyors, CB Richard Ellis Limited, CB Richard Ellis Limited, DTZ Debenham Tie Leung

Limited and DTZ Debenham Tie Leung Limited, respectively, 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 2006, 2007 and 2008, and 30 September 2009 at their open market value by reference to recent market transactions of comparable properties. The valuations were carried out by the independent firms of Surveyors, CB Richard Ellis Limited, CB Richard Ellis Limited, DTZ Debenham Tie Leung Limited and DTZ Debenham Tie Leung Limited, respectively, 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.

During the years ended 31 December 2006, 2007 and 2008, the revaluation deficit of HK$48,000, surplus of HK$40,000, deficit of HK$9,000 have been transferred to the consolidated income statement, respectively.

Had these buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts as at 31 December 2006, 2007 and 2008 and 30 September 2009 would have been HK$551,000, HK$531,000, HK$512,000 and HK$504,000, respectively.

c) The analysis of carrying amount of properties is as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| In Hong Kong | | | | |
| – long leases | 1,989,000 | 273,000 | 355,000 | – |
| – medium-term leases | 1,184 | 1,202 | 1,170 | 1,153 |
| | 1,990,184 | 274,202 | 356,170 | 1,153 |
| Outside Hong Kong | | | | |
| – long leases | 5,000 | – | – | – |
| | 1,995,184 | 274,202 | 356,170 | 1,153 |
| Representing: | | | | |
| Buildings held for own use carried at fair value | 400 | 430 | 410 | 402 |
| Investment property | 1,994,320 | 273,320 | 355,320 | 320 |
| Interests in leasehold land held for own use under operating leases | 464 | 452 | 440 | 431 |
| | 1,995,184 | 274,202 | 356,170 | 1,153 |

d) Included in investment property in the consolidated balance sheet as at 31 December 2006, 2007 and 2008, and 30 September 2009 is an investment property of approximately HK$242,000,000, HK$273,000,000, HK$355,000,000 and HK$Nil under the redevelopment, respectively.

e) As at 31 December 2006, 2007 and 2008, and 30 September 2009, an investment property with a carrying amount of HK$1,989,000,000, HK$273,000,000, HK$355,000,000 and HK$Nil, respectively, was pledged as collateral for the Group's bank borrowings, details of which are set out in note 19.

## 12. GOODWILL

| | HK$'000 |
|---|---|
| **Cost:** | |
| Additions arising from acquisition of subsidiaries *(note 28)* during the year ended 31 December 2007 | 321,122 |
| **Accumulated impairment losses:** | |
| Impairment loss for the year ended 31 December 2007 | (321,122) |
| **Carrying amount:** | |
| At 30 September 2009 | – |
| At 31 December 2008 | – |
| At 31 December 2007 | – |
| At 31 December 2006 | – |

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 28(b).

**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.

## 13. INTEREST IN AN ASSOCIATE

| | As at 31 December 2006 HK$'000 | 2007 HK$'000 | 2008 HK$'000 | As at 30 September 2009 HK$'000 |
|---|---|---|---|---|
| Share of net assets | 612,771 | – | – | – |
| Market value of shares listed in the Republic of Singapore | 561,912 | – | – | – |

Summary financial information on the associate (i.e. 20.2%) equity interest in HFC in respect of the year ended 31 December 2006:

| 2006 | Assets HK$'000 | Liabilities HK$'000 | Equity HK$'000 | Revenues HK$'000 | Profit/(loss) HK$'000 |
|---|---|---|---|---|---|
| 100 per cent | 6,371,237 | 2,578,616 | 3,792,621 | 321,807 | (81,934) |
| Group's effect interest | | | | | 178,070 |

The above financial information of the associate is a summary of the consolidated operating results and financial position of the associate, for the year ended and as of 31 December 2006, based on its financial statements. The Group's share of the associate's results are based on the associate's financial statements and adjusted for the cross-holding between the Company and the associate.

Refer to the Group Reorganization as set out in note 28(a), HFC ceased to be the Group's associate with effect from 1 August 2007.

## 14. OTHER NON-CURRENT FINANCIAL ASSETS

| | As at 31 December 2006 HK$'000 | 2007 HK$'000 | 2008 HK$'000 | As at 30 September 2009 HK$'000 |
|---|---|---|---|---|
| Available-for-sale unlisted equity securities at fair value | 1,610 | 1,990 | 1,610 | 1,450 |
| Available-for-sale unlisted debt securities at fair value | – | – | – | 3,170 |
| Loan to a fellow subsidiary *(note (i) below)* | – | 54 | – | – |
| Loan receivable *(note (ii) below)* | 990 | 490 | – | – |
| | 2,600 | 2,534 | 1,610 | 4,620 |

*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 2006, 31 December 2006 and 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 the year ended 31 December 2006 | HK$990,000 |
| – during the year ended 31 December 2007 | HK$990,000 |
| – during the year ended 31 December 2008 | HK$490,000 |

There was no amount due but unpaid, nor any provision made against the principal amount of or interest on this loan at 31 December 2006, 2007 and 2008. The loan receivable was settled in full during the year ended 31 December 2008.

## 15. INVENTORIES

a) Inventories in the consolidated balance sheet comprise:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Plants | 228 | 260 | 243 | 250 |
| Properties under development for sale | – | – | – | 474,216 |
| Completed properties held for sale | 12,500 | 160,705 | 94,288 | 79,252 |
| | 12,728 | 160,965 | 94,531 | 553,718 |

At 31 December, 2006, 2007 and 2008, and 30 September 2009, inventories of HK$Nil, HK$Nil, HK$94,288,000 and HK$79,252,000 were carried at fair value less cost to sell, respectively.

b) The analysis of carrying amounts of properties under development and completed properties held for sale is as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Outside Hong Kong | | | | |
| – 50 years or more (long leases) | 12,500 | – | – | – |
| – Freehold | – | 160,705 | 94,288 | 79,252 |
| | 12,500 | 160,705 | 94,288 | 79,252 |
| In Hong Kong | | | | |
| – 50 years or more | – | – | – | 474,216 |
| | 12,500 | 160,705 | 94,288 | 553,468 |

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

**As at 31 December 2006**

| | **Plants** | **Properties** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Carrying amount of inventories sold | 484 | 1,646 | 2,130 |

**As at 31 December 2007**

| | **Plants** | **Properties** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Carrying amount of inventories sold | 511 | 11,994 | 12,505 |

**As at 31 December 2008**

| | **Plants** | **Properties** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Carrying amount of inventories sold | 513 | 41,125 | 41,638 |
| Write-down of inventories | – | 25,908 | 25,908 |
| | 513 | 67,033 | 67,546 |

**As at 30 September 2009**

| | **Plants** | **Properties** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Carrying amount of inventories sold | 304 | 18,841 | 19,145 |
| Reversal of write-down of inventories | – | (2,003) | (2,003) |
| | 304 | 16,838 | 17,142 |

d) The amount of properties under development expected to be recovered after more than one year is HK$474,216,000 as at 30 September 2009. All of the other inventories are expected to be recovered within one year.

e) As at 31 December 2006, 2007 and 2008, and 30 September 2009, 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 19.

## 16. TRADE AND OTHER RECEIVABLES

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade debtors | 738 | 506 | 498 | 284 |
| Receivables for monies held by the solicitor in respect of pre-sale deposits | – | – | – | 114,890 |
| Other debtors | 559 | 1,464 | 321 | 224 |
| Gross amounts due from customers for contract work | 595 | – | – | – |
| Retentions receivables | 338 | – | – | – |
| Loans and receivables | 2,230 | 1,970 | 819 | 115,398 |
| Deposits and prepayments | 5,867 | 1,559 | 1,522 | 1,723 |
| | 8,097 | 3,529 | 2,341 | 117,121 |

Apart from receivables for monies held by the solicitor in respect of pre-sale deposits, all of the other 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:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 month | 561 | 366 | 342 | 182 |
| 1 to 3 months | 171 | 139 | 150 | 85 |
| More than 3 months but less than 12 months | 6 | 1 | 6 | 15 |
| More than 12 months | – | – | – | 2 |
| | 738 | 506 | 498 | 284 |

The Group's credit policy is set out in note 24(a)(i).

### 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(h)(i)).

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

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At the beginning of the year/period | – | – | – | – |
| Impairment loss recognised | – | 97 | – | – |
| Uncollectible amounts written off | – | (97) | – | – |
| At the end of the year/period | – | – | – | – |

At 31 December 2007, the Group's trade debtors of HK$97,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are expected to be not recovered. Consequently, specific allowances for doubtful debts of HK$97,000 were recognised. The Group does not hold any collateral over these balance.

**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:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Neither past due nor impaired | 561 | 366 | 342 | 182 |
| Less than 1 month past due | 150 | 122 | 142 | 71 |
| More than 1 month past due | 27 | 18 | 14 | 31 |
| | 177 | 140 | 156 | 102 |
| | 738 | 506 | 498 | 284 |

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.

## 17. CASH AND CASH EQUIVALENTS

### a) Cash and cash equivalents comprise

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Deposits with banks and other financial institutions | 5,224 | 5,494 | 2,489 | 5,034 |
| Cash on hand | 30 | 1 | 1 | 1 |
| | 5,254 | 5,495 | 2,490 | 5,035 |
| Pledged bank deposits for bank borrowings | (912) | (10) | (4) | (5) |
| Cash and cash equivalents in the consolidated balance sheets and the consolidated cash flow statements | 4,342 | 5,485 | 2,486 | 5,030 |

At 31 December 2006, 2007 and 2008, and 30 September 2009, bank balances carry interest at market rates which range from 0.00% to 2.75%, 0.00% to 1.50%, 0.00% to 0.01% and 0.00% to 0.01%, respectively. At 31 December 2006, 2007 and 2008, and 30 September 2009, pledged bank deposits carry interest rate of 0.00% to 2.75%, 0.00% to 0.25%, 0.00% and 0.00%, respectively. 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.

b) **Reconciliation of profit before taxation to cash (used in)/generated from operations:**

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Profit/(loss) before taxation | 154,587 | (311,249) | 34,290 | (10,461) | 88,495 |
| Adjustments for: | | | | | |
| – Valuation gains on investment property | (20,963) | (14,173) | (75,501) | – | – |
| – Fair value gain on transfer of investment properties to properties under development | – | – | – | – | (101,990) |
| – Revaluation losses/(gains) on buildings | 48 | (40) | 9 | – | – |
| – Depreciation | 655 | 1,058 | 1,136 | 826 | 833 |
| – Amortisation of land lease premium | 12 | 12 | 12 | 9 | 9 |
| – Impairment loss for bad and doubtful debts | 611 | 97 | – | – | – |
| – Finance costs | 24,374 | 13,490 | 179 | 166 | 271 |
| – Impairment loss on goodwill | – | 321,122 | – | – | – |
| – Interest income | (202) | (137) | (22) | (19) | (24) |
| – Share of profit of an associate | (178,070) | (28,145) | – | – | – |
| – Loss on disposal of other financial assets | 208 | – | – | – | – |
| – (Gain)/loss on disposal of fixed assets | 150 | (35) | – | – | 9 |
| – Write-down/(reversal of write down) of inventories | – | – | 25,908 | – | (2,003) |
| – Write-off of long outstanding creditors | (2,358) | – | – | – | – |
| – Foreign exchange (gain)/loss | 57 | (1,466) | 866 | (1,457) | 1,342 |
| **Operating loss before changes in working capital** | (20,891) | (19,466) | (13,123) | (10,936) | (13,058) |
| Decrease in inventories | 1,642 | 12,325 | 39,911 | 41,860 | 8,154 |
| (Increase)/decrease in trade and other receivables | (3,191) | (764) | 1,181 | 1,714 | 110 |
| Increase/(decrease) in trade and other payables | 5,545 | (4,010) | (2,068) | (2,477) | 11,282 |
| **Cash (used in)/generated from operations** | (16,895) | (11,915) | 25,901 | 30,161 | 6,488 |

**18. TRADE AND OTHER PAYABLES**

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade creditors | 1,893 | 311 | 99 | 4,069 |
| Retentions payable | 2,040 | 1,809 | 1,847 | 2,429 |
| Other creditors and accrued charges | 14,742 | 5,151 | 4,487 | 1,359 |
| Amount due to the ultimate holding company *(note 27(c))* | – | 6 | 152 | 215 |
| Amount due to a related company *(note 27(c))* | – | 2,489 | 2,997 | 8,073 |
| Financial liabilities measured at amortised cost | 18,675 | 9,766 | 9,582 | 16,145 |
| Forward sales deposits and instalments received | – | 1,302 | – | 119,592 |
| Other deposits received | 3,630 | 489 | 355 | 434 |
| | 22,305 | 11,557 | 9,937 | 136,171 |

The amount of forward sales deposits and instalments received expected to be recognised as income after more than one year is HK$119,592,000 as at 30 September 2009. All of the other trade and other payables (including amounts due to related parties), apart from the retentions payable, are expected to be settled within one year or are repayable on demand.

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

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 month | 30 | 108 | 32 | 1,516 |
| After 1 month but within 3 months | 10 | 5 | 37 | 117 |
| After 3 months but within 6 months | 16 | 20 | 6 | – |
| After 6 months but within 12 months | 15 | 34 | – | – |
| Over 1 year | 1,822 | 144 | 24 | 2,436 |
| | 1,893 | 311 | 99 | 4,069 |

## 19. BANK BORROWINGS

The bank borrowings were repayable as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 year or on demand as classified under current liabilities | 81,891 | – | 235 | 245 |
| After 1 year but within 2 years | 22,745 | – | 128,248 | 132,750 |
| After 2 years but within 5 years | 314,848 | 150,829 | 2,058 | 4,247 |
| After 5 years | 58,641 | – | – | – |
| After 1 year and classified under non-current liabilities | 396,234 | 150,829 | 130,306 | 136,997 |
| | 478,125 | 150,829 | 130,541 | 137,242 |

The bank borrowings were secured as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank loan | | | | |
| – Secured | 478,125 | 150,829 | 129,617 | 136,493 |
| – Unsecured | – | – | 924 | 749 |
| | 478,125 | 150,829 | 130,541 | 137,242 |

The bank facilities of certain subsidiaries were secured by:

i) fixed charges over an investment property of the Group situated in Hong Kong with an aggregate carrying amount of HK$1,989,000,000, HK$273,000,000 and HK$355,000,000 as at 31 December 2006, 2007 and 2008, respectively;

ii) fixed charges over the properties under development with carrying amount of HK$474,216,000 as at 30 September 2009;

iii) fixed charges over certain of the Group's properties situated in Singapore with an aggregate carrying amount of HK$129,919,000, HK$73,578,000, HK$58,085,000 as at 31 December 2007 and 2008, and 30 September 2009, respectively;

iv) assignment of insurance, sale and rental proceeds of the aforementioned properties situated in Hong Kong and Singapore;

v) charges over certain of the Group's bank deposits of HK$912,000, HK$10,000, HK$4,000 and HK$5,000 as at 31 December 2006, 2007 and 2008, and 30 September 2009, respectively;

vi) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Group in favour of the banks;

vii) floating charges over the assets of Super Homes Limited ("SHL"), a subsidiary of the Group;

viii) share mortgages over the entire issued share capital of SHL; and

ix) corporate guarantees given by the Company.

At 31 December 2006, 2007 and 2008, and 30 September 2009, the effective interest rates for the floating rate bank borrowings range from 4.86% to 6.14%, 3.7% to 4.47%, 1.09% to 5% and 0.93% to 5% per annum, respectively.

At 31 December 2007 and 2008, except for bank borrowings of HK$26,829,000 and HK$1,617,000 respectively denominated in Singapore dollars, all the remaining bank borrowings are denominated in Hong Kong dollars. All bank borrowings as at 31 December 2006 and 30 September 2009 are denominated in Hong Kong dollars.

At 31 December 2006, 2007 and 2008, and 30 September 2009, the bank borrowings denominated in Hong Kong dollars are floating rate borrowings which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.79%, HIBOR plus 0.79%, HIBOR plus 0.79% or Hong Kong Dollars Prime Lending Rate, and HIBOR plus 0.79% to 1.15% or Hong Kong Dollars Prime Lending Rate, respectively. At 31 December 2007 and 2008, bank borrowings denominated in Singapore Dollars carried interest at Lender's Cost of Funds plus 1.35% and Lender's Cost of Funds plus 1.5% respectively.

## 20. 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.

## 21. 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:

| | As at 31 December | | | | | | As at 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | | 2009 | |
| | Weighted average exercise price | Number of options *'000* | Weighted average exercise price | Number of options *'000* | Weighted average exercise price | Number of options *'000* | Weighted average exercise price | Number of options *'000* |
| Outstanding at the beginning of the year | HK$0.377 | 53,040 | HK$0.377 | 53,040 | – | – | – | – |
| Cancelled during the year | – | – | HK$0.377 | (53,040) | – | – | – | – |
| Outstanding at the end of the year | HK$0.377 | 53,040 | – | – | – | – | – | – |
| Exercisable at the end of the year | HK$0.377 | 53,040 | – | – | – | – | – | – |

The exercise period of unexpired and unexercised share options at 31 December 2006 was from 18 January 2005 to 17 January 2015 with an exercise price HK$0.377.

The options outstanding at 31 December 2006 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.

**22. INCOME TAX IN THE BALANCE SHEET**

a) Income tax in the consolidated balance sheet represents:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Under current assets: | | | | |
| Tax recoverable for the payment of provisional Hong Kong Profits Tax | 83 | 8 | 1 | – |
| Under current liabilities: | | | | |
| Balance of Singapore income tax provision | – | 856 | 504 | 489 |

b) Deferred tax liabilities/(assets) recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements during the Relevant Periods are as follows:

| | The Group | | | | |
|---|---|---|---|---|---|
| | **Revaluation of investment property** | **Fair value adjustment for properties held for sale** | **Depreciation allowances in excess of the related depreciation** | **Tax losses** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2006 | 247,050 | – | 1,970 | (2,379) | 246,641 |
| Charged/(credited) to profit or loss | 3,650 | – | (1,970) | 2,379 | 4,059 |
| At 31 December 2006 | 250,700 | – | – | – | 250,700 |
| 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 | 1,530 | (517) | – | – | 1,013 |
| At 31 December 2007 | 440 | 5,346 | – | – | 5,786 |

| | The Group | | | | |
|---|---|---|---|---|---|
| | Revaluation of investment property | Fair value adjustment for properties held for sale | Depreciation allowances in excess of the related depreciation | Tax losses | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 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 | (25) | – | – | – | (25) |
| At 31 December 2008 | – | 83 | – | – | 83 |
| At 1 January 2009 | – | 83 | – | – | 83 |
| Exchange alignment | – | (3) | – | – | (3) |
| Credited to profit or loss | – | (75) | – | (16,700) | (16,775) |
| Effect on deferred tax balance at 1 January resulting from a change in tax rate | – | (5) | – | – | (5) |
| At 30 September 2009 | – | – | – | (16,700) | (16,700) |

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Net deferred tax assets recognised on the consolidated balance sheets | – | – | – | (16,700) |
| Net deferred tax liabilities recognised on the consolidated balance sheets | 250,700 | 5,786 | 83 | – |
| | 250,700 | 5,786 | 83 | (16,700) |

**c) Deferred tax assets not recognised**

In accordance with the accounting policy set out in note 1(o), at 31 December 2006, 2007 and 2008, and 30 September 2009, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$625,693,000, HK$357,252,000, HK$368,555,000 and HK$256,455,000, respectively, 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.

## 23. CAPITAL AND RESERVE

### a) Movements in components of equity

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

### b) Share capital

*i) Authorised and issued share capital*

| | As at 31 December | | | | | | As at 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | | 2009 | |
| | No. of shares | Nominal values | No. of shares | Nominal values | No. of shares | Nominal values | No. of shares | Nominal values |
| | *'000* | *HK$'000* | *'000* | *HK$'000* | *'000* | *HK$'000* | *'000* | *HK$'000* |
| Authorised: | | | | | | | | |
| Ordinary shares of HK$0.05 each | 2,000,000 | 100,000 | 3,000,000 | 150,000 | 3,000,000 | 150,000 | 3,000,000 | 150,000 |
| Ordinary shares, issued and fully paid: | | | | | | | | |
| At the beginning of the year/period | 1,492,411 | 74,620 | 1,492,411 | 74,620 | 2,392,411 | 119,620 | 2,392,411 | 119,620 |
| Shares issued for acquisition of subsidiaries | – | – | 900,000 | 45,000 | – | – | – | – |
| At the end of the year/ period | 1,492,411 | 74,620 | 2,392,411 | 119,620 | 2,392,411 | 119,620 | 2,392,411 | 119,620 |

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 28(b).

### c) 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 9.

*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 grant date fair value of unexercised share options granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(n)(ii); and

*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(r).

*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(d) and (h).

**d) Distributability of reserves**

At 31 December 2006, 2007 and 2008, and 30 September 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company were HK$1,368,062,000, HK$88,754,000, HK$87,688,000 and HK$86,868,000, respectively.

**e) 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, other financial liabilities) less cash and bank balances. Capital comprises all components of equity.

During the Relevant Periods, the Group's strategy was to maintain the net debt-to-capital ratio at below 60%.

**The net debt-to-capital ratio was as follows:**

| | *Note* | As at 31 December 2006 HK$'000 | As at 31 December 2007 HK$'000 | As at 31 December 2008 HK$'000 | As at 30 September 2009 HK$'000 |
|---|---|---|---|---|---|
| Current liabilities: | | | | | |
| Financial liabilities as included in trade and other payables | *18* | 18,675 | 9,766 | 9,582 | 16,145 |
| Bank borrowings | *19* | 81,891 | – | 235 | 245 |
| | | 100,566 | 9,766 | 9,817 | 16,390 |
| Non-current liabilities: | | | | | |
| Bank borrowings | *19* | 396,234 | 150,829 | 130,306 | 136,997 |
| Loan from a fellow subsidiary | *14* | – | 302 | – | – |
| Total | | 496,800 | 160,897 | 140,123 | 153,387 |
| Less: Pledged bank deposits | *17(a)* | (912) | (10) | (4) | (5) |
| Cash and cash equivalents | *17(a)* | (4,342) | (5,485) | (2,486) | (5,030) |
| Net debt | | 491,546 | 155,402 | 137,633 | 148,352 |
| Capital | | 1,884,290 | 280,649 | 319,784 | 427,301 |
| Net debt-to-capital ratio | | 26% | 55% | 43% | 35% |

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 and restricted bank deposits secured against bank borrowings 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.

## 24. 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 26(a), 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 16.

*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:

**As at 31 December 2006**

| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 year but less than 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank borrowings | 478,125 | (559,781) | (104,491) | (43,007) | (346,196) | (66,087) |
| Creditors and accrued charges | 18,675 | (18,675) | (16,635) | – | (2,040) | – |
| | 496,800 | (578,456) | (121,126) | (43,007) | (348,236) | (66,087) |

**As at 31 December 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 year but less than 5 years *HK$'000* | More than 5 years *HK$'000* |
|---|---|---|---|---|---|---|
| Bank borrowings | 150,829 | (167,974) | (6,535) | (33,282) | (128,157) | – |
| Creditors and accrued charges | 7,271 | (7,271) | (5,462) | – | (1,809) | – |
| Amount due to the ultimate holding company | 6 | (6) | (6) | – | – | – |
| Amount due to a related company | 2,489 | (2,489) | (2,489) | – | – | – |
| Loan from a fellow subsidiary | 302 | (358) | (11) | (11) | (336) | – |
| | 160,897 | (178,098) | (14,503) | (33,293) | (130,302) | – |

**As at 31 December 2008**

| | 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 year but less than 5 years *HK$'000* | More than 5 years *HK$'000* |
|---|---|---|---|---|---|---|
| Bank borrowings | 130,541 | (133,263) | (1,484) | (129,135) | (2,644) | – |
| Creditors and accrued charges | 6,433 | (6,433) | (4,586) | – | (1,847) | – |
| Amount due to the ultimate holding company | 152 | (152) | (152) | – | – | – |
| Amount due to a related company | 2,997 | (2,997) | (2,997) | – | – | – |
| | 140,123 | (142,845) | (9,219) | (129,135) | (4,491) | – |

**As at 30 September 2009**

| | 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 year but less than 5 years *HK$'000* | More than 5 years *HK$'000* |
|---|---|---|---|---|---|---|
| Bank borrowings | 137,242 | (138,708) | (1,570) | (132,846) | (4,292) | – |
| Creditors and accrued charges | 7,857 | (7,857) | (7,111) | (746) | – | – |
| Amount due to the ultimate holding company | 215 | (215) | (215) | – | – | – |
| Amount due to a related company | 8,073 | (8,073) | (8,073) | – | – | – |
| | 153,387 | (154,853) | (16,969) | (133,592) | (4,292) | – |

*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 14, 19 and 27(b), respectively.

*Sensitivity analysis*

At 31 December 2006, 2007 and 2008, and 30 September 2009, 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$3,832,000, HK$259,000, HK$21,000 and HK$40,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

*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 value**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006, 2007 and 2008, and 30 September 2009.

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 and debt 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.

**25. COMMITMENTS**

a) Commitments in respect of the Group's properties under redevelopment outstanding at each year/period end not provided for in the Financial Information were as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Authorised and contracted for but not provided for | 13,498 | 7,381 | 2,736 | 93,024 |

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 11 and 15, respectively.

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**

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 year | 6,437 | 928 | 1,860 | 1,797 |
| After 1 year but within 5 years | – | 325 | 1,083 | 237 |
| | 6,437 | 1,253 | 2,943 | 2,034 |

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 each year/period end, 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**

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 year | 2,744 | 2,833 | 1,903 | 2,870 |
| After 1 year but within 5 years | 3,798 | 1,115 | 180 | 4,994 |
| | 6,542 | 3,948 | 2,083 | 7,864 |

## 26. CONTINGENT ASSETS AND LIABILITIES

### a) Financial guarantees issued

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

i) At 31 December 2006, 2007 and 2008, and 30 September 2009, 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$658 million, HK$237 million, HK$318 million and HK$294 million, respectively. The extent of such facilities utilized by these subsidiaries at the balance sheet date amounted to approximately HK$478 million, HK$151 million, HK$130 million and HK$136 million, respectively.

ii) At 31 December 2006, 2007 and 2008, and 30 September 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 to the extent of approximately HK$402,000, HK$268,000, HK$268,000 and HK$268,000, respectively.

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.

**(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 are of the view that this claim will not have a material adverse impact on the financial position of the Group. 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 30 September 2009.

**27. 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 6.

**b) Loan from a fellow subsidiary**

At 31 December 2007, the loan of HK$302,000 from a fellow subsidiary was generally non-trade in nature, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. Interest of HK$2,000 incurred by the fellow subsidiary on bank borrowings taken to provide financing to this subsidiary was charged to the Company based on utilisation of funds by the subsidiary. The effective interest rate ranged from approximately 3% to 5.8% per annum. The interest rates will be repriced within six months of the balance sheet date. The loan has been settled during the year ended 31 December 2008.

**c) Other financing arrangements**

| | | **As at 31 December 2006** | | |
|---|---|---|---|---|
| | *Note* | **Amounts owed by related parties** *HK$'000* | **Amounts owed to related parties** *HK$'000* | **Related interest (expenses)/ income** *HK$'000* |
| Due to a related company | *(i)* | – | – | – |
| Due to the ultimate holding company | *(i)* | – | – | – |
| Loan to a fellow subsidiary | *(i), (ii)* | – | – | – |
| Loan to a director of a subsidiary | *(ii), (iii)* | 990 | – | 61 |

| | Note | As at 31 December 2007 Amounts owed by related parties HK$'000 | Amounts owed to related parties HK$'000 | Related interest (expenses)/ income HK$'000 |
|---|---|---|---|---|
| Due to a related company | *(i)* | – | 2,489 | – |
| Due to the ultimate holding company | *(i)* | – | 6 | – |
| Loan to a fellow subsidiary | *(i), (ii)* | 54 | – | – |
| Loan to a director of a subsidiary | *(ii), (iii)* | 490 | – | 39 |

| | Note | As at 31 December 2008 Amounts owed by related parties HK$'000 | Amounts owed to related parties HK$'000 | Related interest (expenses)/ income HK$'000 |
|---|---|---|---|---|
| Due to a related company | *(i)* | – | 2,997 | – |
| Due to the ultimate holding company | *(i)* | – | 152 | – |
| Loan to a fellow subsidiary | *(i), (ii)* | – | – | – |
| Loan to a director of a subsidiary | *(ii), (iii)* | – | – | – |

| | Note | As at 30 September 2009 Amounts owed by related parties HK$'000 | Amounts owed to related parties HK$'000 | Related interest (expenses)/ income HK$'000 |
|---|---|---|---|---|
| Due to a related company | *(i)* | – | 8,073 | – |
| Due to the ultimate holding company | *(i)* | – | 215 | – |
| Loan to a fellow subsidiary | *(i), (ii)* | – | – | – |
| Loan to a director of a subsidiary | *(ii), (iii)* | – | – | – |

*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 18) and the amount owed by a related party are included in "other non-current financial assets" (note 14).

ii) No impairment for bad or doubtful debts has been made in respect of these loans.

iii) Further details of the loan to this individual, being a director of a subsidiary, are disclosed in note 14.

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

**d) 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 28(b).

ii) The Group paid management fee of approximately HK$Nil, HK$2.7 million, HK$7.9 million, HK$5.4 million and HK$8.4 million for the years ended 31 December 2006, 2007 and 2008, and the nine months ended 30 September 2008 (unaudited) and 2009, respectively, to the HFL 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) The Group paid to fellow subsidiaries an amount of approximately Nil, HK$327,000, HK$1,039,000, HK$992,000 and HK$569,000 for the years ended 31 December 2006, 2007 and 2008, and the nine months ended 30 September 2008 (unaudited) and 2009, respectively, 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.

## 28. 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 ("HFL"), 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 HFL 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 HFL 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 HFL 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 HFL'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 HFL 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 HK$'000 | Fair value adjustments HK$'000 | Carrying values upon acquisition HK$'000 |
|---|---|---|---|
| **Acquiree's net assets at the date of acquisition** | | | |
| 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 | 104,916 | 25,453 | 130,369 |
| Goodwill (note 12) | | | 321,122 |
| | | | 451,491 |
| Satisfied by: | | | |
| – Cash consideration | | | 23,991 |
| – 900 million new shares of the Company (note) | | | 427,500 |
| | | | 451,491 |
| **Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:** | | | |
| Cash consideration | | | 23,991 |
| Less: Cash and cash equivalents acquired | | | (10,847) |
| Net outflow of cash and cash equivalents | | | 13,144 |

*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.

## 29. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 30 September 2009, the directors consider the immediate parent and ultimate controlling party of the Company to be Hong Fok Corporation Limited (formerly known as "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.

## 30. ACCOUNTING ESTIMATES AND JUDGEMENTS

**Key sources of estimation uncertainty**

Notes 11 and 24 contain information about the assumptions and their risk factors relating to valuations of investment and other properties and financial instruments, respectively. 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.

*f) Provision for income tax*

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amount of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

**31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

At the date of this report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2009 and which have not been adopted in this Financial Information.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| HKFRS 3 (Revised), *Business combinations* | 1 July 2009 |
| HKAS 27 (Revised), *Consolidated and separate financial statements* | 1 July 2009 |
| HKAS 39 (Amendment), *Financial instruments: Recognition and measurement – Eligible hedged items* | 1 July 2009 |
| HK(IFRIC) 17, *Distributions of non-cash assets to owners* | 1 July 2009 |
| Improvements to HKFRSs 2009 | 1 July 2009 or 1 January 2010 |

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**32. PRINCIPAL SUBSIDIARIES**

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

| | | | Proportion of ownership interests | | | |
|---|---|---|---|---|---|---|
| **Name of company** | **Place of incorporation and operation** | **Particulars of issued and paid-up capital** | **Group's effective interest** | **Held by the Company** | **Held by a subsidiary** | **Principal activity** |
| 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 |

| Name of company | Place of incorporation and operation | Particulars of issued and paid-up capital | Proportion of ownership interests Group's effective interest | Held by the Company | Held by a subsidiary | Principal activity |
|---|---|---|---|---|---|---|
| Fort Property Management Limited | Hong Kong | 2 ordinary shares of HK$1 each | 100% | – | 100% | Provision of management services |
| 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 | 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 and development |
| Vision Capital Limited | Hong Kong | 2 ordinary shares of HK$1 each | 100% | – | 100% | Investment holding |

* Audited by KPMG LLP, Singapore

## III. EVENT AFTER THE BALANCE SHEET DATE

On 16 November 2009, the Group entered into an agreement to sell its interests in the entire issued share capital of Goldease Investments Limited (the "Goldease Group") and the amount owed by the Goldease Group to the Group ("Sale Loan") for a total consideration of S$10,150,000 (equivalent to approximately HK$56,434,000 (the "Disposal") in cash to HFC. The Disposal, subject to certain completion conditions including regulatory approval, is targeted to be completed in the early 2010.

The revenue and expenses, assets and liabilities, and cash flows of the Goldease Group are set out as follows:

### (a) Revenue and expenses of the Goldease Group

| | Period from 1 August 2007 (date of acquisition of the Goldease Group) to 31 December 2007 | Year ended 31 December 2008 | Nine months ended 30 September 2008 | 2009 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* *(unaudited)* | *HK$'000* |
| **Turnover** | 12,782 | 44,740 | 44,979 | 20,905 |
| Cost of sales | (12,908) | (44,066) | (44,355) | (19,889) |
| Other revenue | 10 | 11 | – | – |
| Other net income/(loss) | (1) | (25,907) | – | 2,238 |
| Operating and administrative expenses | (311) | (363) | (258) | (237) |
| Profit/(loss) from operations | (428) | (25,585) | 366 | 3,017 |
| Interest income | 1 | 5 | 4 | 1 |
| Interest and other finance costs | (511) | (157) | (160) | – |
| **Profit/(loss) before taxation** | (938) | (25,737) | 210 | 3,018 |
| Income tax (expense)/credit | 517 | 5,066 | 423 | (198) |
| **Profit/(loss) for the year/period** | (421) | (20,671) | 633 | 2,820 |
| **Other comprehensive income/ (expense)** | | | | |
| Exchange differences on translation to presentation currency, net of nil tax | (2,373) | 700 | 51 | (1,305) |
| | (2,373) | 700 | 51 | (1,305) |
| **Total comprehensive income/ (expenses) for the year/period** | (2,794) | (19,971) | 684 | 1,515 |

**(b) Assets and liabilities of the Goldease Group**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | **2007** | **2008** | **2009** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | |
| Fixed assets | 591 | 399 | 133 |
| Amount due from related companies | 54 | – | – |
| | 645 | 399 | 133 |
| **Current assets** | | | |
| Properties held for sale | 160,705 | 94,288 | 79,252 |
| Amount due from a fellow subsidiary | – | 5,432 | 26,841 |
| Amount due from an intermediate holding company | 5,420 | 16,280 | 16,639 |
| Trade and other receivables | 1,236 | 81 | 19 |
| Cash and cash equivalents | 4,631 | 2,528 | 4,115 |
| | 171,992 | 118,609 | 126,866 |
| **Current liabilities** | | | |
| Trade and other payables | 2,373 | 825 | 1,027 |
| Amount due to a fellow subsidiary | 90,916 | 90,426 | 92,419 |
| Amount due to an intermediate holding company | 91,051 | 90,560 | 92,556 |
| Tax payables | 856 | 503 | 489 |
| | 185,196 | 182,314 | 186,491 |
| Net current liabilities | (13,204) | (63,705) | (59,625) |
| Total assets less current liabilities | (12,559) | (63,306) | (59,492) |
| **Non-current liabilities** | | | |
| Bank borrowings | 26,829 | 1,618 | 4,000 |
| Amount due to a fellow subsidiary | 302 | – | – |
| Deferred tax liabilities | 5,346 | 83 | – |
| | 32,477 | 1,701 | 4,000 |
| **NET LIABILITIES** | (45,036) | (65,007) | (63,492) |
| **CAPITAL AND RESERVE** | | | |
| Share capital | – | – | – |
| Reserves | (45,036) | (65,007) | (63,492) |
| **TOTAL EQUITY** | (45,036) | (65,007) | (63,492) |

## (c) Cash flows of the Goldease Group

| | Period from 1 August 2007 (date of acquisition of the Goldease Group) to 31 December | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | *(unaudited)* | |
| Profit/(loss) before taxation | (938) | (25,737) | 210 | 3,018 |
| Adjustments for: | | | | |
| Write-down/(reversal of write-down) of inventories | – | 25,908 | – | (2,003) |
| Interest income | (1) | (5) | (4) | (1) |
| Depreciation of fixed assets | 80 | 200 | 151 | 59 |
| Loss on disposal of fixed assets | 1 | – | – | 9 |
| Finance costs | 511 | 157 | 160 | – |
| Foreign exchange loss/(gain) | (486) | 653 | (1,133) | 181 |
| Operating profit/(loss) before changes in working capital | (833) | 1,176 | (616) | 1,263 |
| Decrease in inventories | 12,357 | 40,216 | 41,840 | 18,377 |
| Decrease in trade and other receivables | 435 | 1,155 | 1,225 | 62 |
| (Decrease)/increase in trade and other payables | (1,174) | (1,693) | (1,853) | 135 |
| **Cash generated from operations** | 10,785 | 40,854 | 40,596 | 19,837 |
| Singapore income tax paid | – | (642) | (628) | (318) |
| **Net cash generated from operating activities** | 10,785 | 40,212 | 39,968 | 19,519 |
| **Investing activities** | | | | |
| Advance to a fellow subsidiary | – | (5,432) | (4,402) | (20,645) |
| Advance to an intermediate holding company | (5,420) | (11,386) | (11,458) | – |
| (Advanced to)/repayment from related companies | (54) | 54 | 54 | – |
| Purchase of fixed assets | (17) | (29) | (20) | (40) |
| Proceeds from disposal of fixed assets | 20 | 22 | 22 | 257 |
| Interest received | 1 | 5 | 4 | 1 |
| **Net cash used in investing activities** | (5,470) | (16,766) | (15,800) | (20,427) |

| | Period from 1 August 2007 (date of acquisition of the Goldease Group) to 31 December | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2007 | 2008 | 2008 | 2009 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | *(unaudited)* | |
| **Financing activities** | | | | |
| Proceeds from bank borrowings | – | 1,618 | 539 | 20,737 |
| Repayment of bank borrowings | (11,560) | (26,829) | (26,829) | (18,355) |
| Advance from the ultimate holding company | – | 146 | 145 | 62 |
| Advance from a fellow subsidiary | 302 | (302) | (302) | – |
| Finance costs paid | (511) | (157) | (160) | – |
| **Net cash (used in)/generated from financing activities** | (11,769) | (25,524) | (26,607) | 2,444 |
| **Net increase/(decrease) in cash and cash equivalents** | (6,454) | (2,078) | (2,439) | 1,536 |
| **Cash and cash equivalents at beginning of year/period** | 10,847 | 4,631 | 4,631 | 2,528 |
| **Effect of foreign exchange rate changes** | 238 | (25) | (12) | 51 |
| **Cash and cash equivalents at end of year/period** | 4,631 | 2,528 | 2,180 | 4,115 |

**(d) Statement of changes in equity of the Goldease Group**

| | Share capital | Exchange reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 August 2007 | – | – | – | – |
| Acquisition of the Goldease Group | – | – | (42,242) | (42,242) |
| Total comprehensive income for the period | – | (2,373) | (421) | (2,794) |
| At 31 December 2007 | – | (2,373) | (42,663) | (45,036) |
| At 1 January 2008 | – | (2,373) | (42,663) | (45,036) |
| Total comprehensive income for the year | – | 700 | (20,671) | (19,971) |
| At 31 December 2008 | – | (1,673) | (63,334) | (65,007) |
| At 1 January 2009 | – | (1,673) | (63,334) | (65,007) |
| Total comprehensive income for the period | – | (1,305) | 2,820 | 1,515 |
| At 30 September 2009 | – | (2,978) | (60,514) | (63,492) |

**(e) Segment reporting of the Goldease Group**

Through the period, the Goldease Group has been operating in a single operating segment in Singapore, i.e. property construction and development. Accordingly, no operating segment is presented.

## IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 September 2009 and up to the date of this report.

Yours faithfully,

**CCIF CPA Limited**
*Certified Public Accountants*
Hong Kong

**Yau Hok Hung**
Practising Certificate Number P04911

## (B) WORKING CAPITAL

The Directors are of the opinion that, following completion of the Disposal, 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 circular, in the absence of unforeseen circumstances.

## (C) 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 circular, 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 Limited;

vii) share mortgages over the entire issued share capital of Super Homes Limited; 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. 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 are of the view that this claim will not have a material adverse impact on the financial position of the Group. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Remaining Group for each of the years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009.

## FOR THE YEAR ENDED 31 DECEMBER 2006

### Business review and prospects

During the year, the Remaining Group continued to engage in property related businesses and provision of horticultural services. The decrease in turnover was mainly due to the sale of a commercial property in 2005. Rental income decreased as a result of the commencement of the redevelopment of the investment property at 38 Conduit Road in the year.

The Remaining Group's net profit increased by 34% as a result of the following:

(i) increase in the Remaining Group's share of valuation gains of an associate of approximately HK$155.1 million;

(ii) decrease in impairment loss of a China property of approximately HK$67.5 million;

(iii) decrease in net rental income of approximately HK$10.8 million;

(iv) decrease in valuation gains on investment properties, net of deferred tax, of approximately HK$120.9 million; and

(v) increase in interest expense of approximately HK$4.2 million; and

(vi) decrease in profit on disposal of properties of approximately HK$46.9 million attributable to the disposal of a commercial property in 2005.

The changes in segmental revenue and segmental results were mainly affected by the decrease in valuation gains on investment property in 2006, impairment loss of a China property and disposal of a commercial property in 2005.

The redevelopment of the investment property at 38 Conduit Road has commenced during the year as planned and was expected to be completed by 2009.

The redevelopment project of 15 Magazine Gap Road to improve its rental potential was still at the planning stage and the property has continued to generate rental income during the year.

The Remaining Group will continue to look for investment and development opportunities in Hong Kong. Currently, the Remaining Group has not identified any investment target.

**Liquidity and financial resources**

*Capital structure and liquidity*

All the Remaining Group's funding and treasury activities were centrally managed and controlled at the corporate level. The Remaining Group's working capital requirements were met by recurring cash flows from the investment properties portfolio and committed undrawn credit facilities. The year-end gearing ratio was 25% (2005: 25%) based on bank loans less cash and bank balances to shareholders' funds including minority interests.

*Bank borrowings and pledge of assets*

The Remaining Group's borrowings were denominated in Hong Kong dollars and arranged on a floating rate basis. As at 31 December 2006, the outstanding bank loans amounted approximately HK$478.1 million. These loan facilities were secured by the Remaining Group's properties and bank deposits of approximately HK$1,989.0 million and approximately HK$0.9 million respectively.

The following is the maturity profile of the Remaining Group's bank borrowings as of 31 December 2006:

| | |
|---|---|
| Within 1 year | 17% |
| After 1 year but within 2 years | 5% |
| After 2 years but within 5 years | 66% |
| After 5 years | 12% |

**Foreign currency management**

The Remaining Group has no exposure to foreign exchange rate fluctuations except for the interests in an associate in Singapore which was held as long term investment.

**Contingent liabilities**

As at 31 December 2006, the Company had provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK$658.5 million.

The current portion of bank loans included property loan of 15 Magazine Gap Road. Subsequent to the year-end in January 2007, the property loan was replaced by a project finance of the redevelopment project. Guarantee in the amount of approximately HK$238 million was released and new guarantee in the amount of approximately HK$559 million was provided by the Company to secure new loan facilities. The total guarantee provided by the Company after refinancing in January 2007 has increased to approximately HK$980 million.

**Employees**

As at 31 December 2006, the Remaining Group had a total of 61 employees. Employees were remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to individual's performance. In addition, the Remaining Group provided social security benefits to its staff such as mandatory provident fund scheme in Hong Kong and the pension scheme in the PRC. Staff costs for the year was approximately HK$24.4 million. The decrease of 20% from 2005 was mainly due to the equity settled share-based payment expense of approximately HK$8.9 million recognized in 2005.

**FOR THE YEAR ENDED 31 DECEMBER 2007**

**Business review and prospects**

During the year, the Remaining Group has completed a group reorganization on 1 August 2007. The Remaining Group distributed the business of the 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 Remaining Group has only retained the business of the redevelopment project at 38 Conduit Road in Hong Kong and the provision of horticultural services.

Following the distribution of the property holding business at 15 and 17 Magazine Gap Road during the year, net rental income, valuation gains and interest expenses has decreased. Share of profit of an associate decreased as a result of the distribution of interest in the associate. All these have contributed to the decrease in the turnover and the net profit of the Remaining Group.

The changes in segmental revenue and segmental results were mainly affected by the decrease in rental income, valuation gains and share of profit of an associate in 2007 following the distribution of businesses.

The Remaining Group will focus its resources on the existing properties. The redevelopment of the investment property at 38 Conduit Road has commenced as planned and was expected to be completed by the end of 2009. Construction costs of the redevelopment are funded by project finance.

**Liquidity and financial resources**

*Capital structure and liquidity*

All the Remaining Group's funding and treasury activities were centrally managed and controlled at the corporate level. The Remaining Group's working capital requirements were met by committed undrawn credit facilities.

On 1 August 2007, the Company issued 900 million new Shares as part of the consideration payable for the acquisition of the Goldease Group.

The year-end gearing ratio was 38% (2006: 25%) based on bank loans less cash and bank balances to shareholders' funds including minority interests. The increase in gearing ratio was mainly due to the change in the Remaining Group's assets and liabilities as a result of the group reorganization.

*Bank borrowings and pledge of assets*

The Remaining Group's bank borrowings were denominated in Hong Kong dollars and arranged on a floating rate basis. As at 31 December 2007, the outstanding bank loans amounted to approximately HK$124.0 million. These loan facilities were secured by the Remaining Group's properties and bank deposits of approximately HK$273.0 million and approximately HK$10,000 respectively.

The following is the maturity profile of the Remaining Group's bank borrowings as of 31 December 2007:

| | |
|---|---|
| Within 1 year | 0% |
| After 2 years but within 5 years | 100% |

**Foreign currency management**

The Remaining Group's monetary assets and liabilities were denominated and the Remaining Group conducted its business transactions principally in Hong Kong dollars. The exchange rate risk of the Remaining Group was not considered significant, no financial instruments for hedging purpose were employed.

**Contingent liabilities**

As at 31 December 2007, the Company had provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK$210.3 million.

**Employees**

As at 31 December 2007, the Remaining Group had a total of 14 employees. Employees were remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to individual's performance. In addition, the Remaining Group provided social security benefits to its staff such as mandatory provident fund scheme in Hong Kong. Staff costs for the year was approximately HK$13.6 million. The decrease of staff costs of 44% and number of employees from 2006 was mainly due to the group reorganization completed on 1 August 2007.

## FOR THE YEAR ENDED 31 DECEMBER 2008

### Business review and prospects

During the year, the Remaining Group continued to engage in property related business and provision of horticultural services. Due to the distribution of the business of the holding of the properties at 15 and 17 Magazine Gap Road in Hong Kong in 2007, rental income has decreased. Turnover has decreased correspondingly.

Despite the decrease in net rental income and share of profit of an associate following the distribution of the business of the holding of the properties at 15 and 17 Magazine Gap Road in Hong Kong and interests in an associate in 2007, the Remaining Group's net profit has improved in the year as a result of the increase in valuation gains on investment properties.

In the year ended 31 December 2007, the Remaining Group completed the demolition works of the property at 38 Conduit Road to prepare the land for redevelopment. During the year ended 31 December 2008, foundation work was completed. The present building plan was also approved by the Building Authority during the year ended 31 December 2008. In valuing the property as at 31 December 2008, DTZ Debenham Tie Leung Limited ("DTZ"), an independent professional property valuer, made reference to recent market transactions in comparable properties which was the same basis undertaken by the property valuation of 31 December 2007. DTZ utilized the residual method which is a means of valuing land with reference to its development potential by deducting development cost, professional fees, interest and developer's profit from its estimated gross development value.

The changes in segmental revenue and segmental results were mainly affected by the decrease in rental income and share of profit of an associate following the distribution of businesses in 2007 and the increase in valuation gains in 2008.

The Group will focus its resources on the existing properties. The redevelopment of the investment property at 38 Conduit Road is in progress and expected to be completed in 2010. Construction costs of the redevelopment are funded by project finance.

### Liquidity and financial resources

*Capital structure and liquidity*

All the Remaining Group's funding and treasury activities were centrally managed and controlled at the corporate level. The Remaining Group's working capital requirements were met by committed undrawn credit facilities. The year-end gearing ratio was 34% (2007: 38%) based on bank loans less cash and bank balances to shareholders' funds including minority interests.

*Bank borrowings and pledge of assets*

The Remaining Group's bank borrowings were denominated in Hong Kong dollars and arranged on a floating rate basis. As at 31 December 2008, the outstanding bank loans amounted to approximately HK$128.9 million. Approximately HK$128.0 million of these loan facilities were secured by the Remaining Group's properties and bank deposits of approximately HK$355.0 million and approximately HK$4,000 respectively.

The following is the maturity profile of the Remaining Group's bank borrowings as of 31 December 2008:

| | |
|---|---|
| Within 1 year | 0% |
| After 1 year but within 2 years | 98% |
| After 2 years but within 5 years | 2% |

**Foreign currency management**

The Remaining Group's monetary assets and liabilities were denominated and the Remaining Group conducted its business transactions principally in Hong Kong dollars. The exchange rate risk of the Remaining Group was not considered significant, no financial instruments for hedging purpose were employed.

**Contingent liabilities**

As at 31 December 2008, the Company has provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK$260.3 million.

**Employees**

As at 31 December 2008, the Remaining Group had a total of 14 employees. Employees were remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to individual's performance. In addition, the Remaining Group provided social security benefits to its staff such as mandatory provident fund scheme. Staff costs for the year was approximately HK$2.9 million. The decrease of 79% from 2007 was mainly due to the group reorganization completed on 1 August 2007.

## FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

### Business review and prospects

During the period, the Remaining Group continued to engage in property related businesses and provision of horticultural services. While the redevelopment of the Remaining Group's property, THE ICON, was in progress, the Remaining Group's revenue in the period mainly represented income from horticultural services.

The net profit for the period was mainly contributed by the valuation gain on the Remaining Group's properties of approximately HK$102.0 million.

As the redevelopment of THE ICON advanced, the Remaining Group devoted more resources in the management and administration of the project and operating and administrative expenses increased correspondingly.

Provisional agreements for the sale and purchase of certain units of THE ICON were entered into by the Remaining Group and independent third parties during the period. The total consideration from the disposal of these units was approximately HK$614.2 million. As at 30 September 2009, deposits received amounted to approximately HK$119.5 million. Further deposits of approximately HK$2.3 million were receivable by the end of 2009. Deposits received would be applied in the repayment of the project finance and the payment of development costs. Balance payments of approximately HK$492.4 million would be received after completion of the redevelopment of THE ICON.

The changes in segmental results were mainly affected by the valuation gain on the Remaining Group's properties during the period.

The Remaining Group will focus its resources on the existing properties and look for other favourable investment opportunities. The Remaining Group currently has not identified any investment target.

### Liquidity and financial resources

*Capital structure and liquidity*

All the Remaining Group's funding and treasury activities were centrally managed and controlled at the corporate level. The Remaining Group's working capital requirements were met by committed undrawn credit facilities. The end of period gearing ratio was approximately 27% (31 December 2008: 34%) based on bank loans less cash and bank balances to total equity. The improvement in gearing ratio was mainly due to the valuation gain on the Remaining Group's properties.

*Bank borrowings and pledge of assets*

The Remaining Group's bank borrowings were denominated in Hong Kong dollars and arranged on floating rate basis. As at 30 September 2009, the outstanding bank loan amounted to approximately HK$133.2 million. Approximately HK$132.5 million of these loan facilities were secured by the Remaining Group's properties and bank deposits of approximately HK$474.2 million and approximately HK$5,000 respectively.

The following is the maturity profile for the Remaining Group's bank borrowings as of 30 September 2009:

| | |
|---|---|
| Within 1 years | 0% |
| After 1 years but within 2 years | 97% |
| After 2 years but within 5 years | 3% |

**Foreign currency management**

The Remaining Group's monetary assets and liabilities were denominated in Hong Kong dollars and the Remaining Group conducted its business transactions principally in the same currency. The exchange rate risk of the Remaining Group was not considered significant, no financial instruments for hedging purpose were employed.

**Contingent liabilities**

As at 30 September 2009, the Company has provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK$255.7 million.

**Employees**

As at 30 September 2009, the Remaining Group had a total of 13 employees. Employees were remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to individual's performance. In addition, the Remaining Group provided social security benefits to its staff such as mandatory provident fund scheme in Hong Kong. Staff costs for the period was approximately HK$2.4 million.

## (A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of Winfoong International Limited and its subsidiaries but excluding the Goldease Group (collectively referred to the "Remaining Group") ("Pro Forma Financial Information"), have been prepared to illustrate the effect of the Disposal.

### (1) Unaudited pro forma consolidated balance sheet of the Remaining Group

The unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if they had taken place on 30 September 2009.

The unaudited pro forma consolidated balance sheet of the Remaining Group is based on the audited consolidated balance sheet as at 30 September 2009 of the Group as set out in part (A) of Appendix I to this circular and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated balance sheet of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma consolidated balance sheet of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have attained had the Disposal been completed on 30 September 2009.

The unaudited pro forma consolidated balance sheet does not purport to predict the future position of the Remaining Group. The unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Disposal been completed on 30 September 2009 or at any future date.

### *Unaudited pro forma consolidated balance sheet*

| | The Group as at 30 September 2009 | Pro forma adjustments | | | Pro forma Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *Note (a)* | *Note (b)* | *Note (c)* | |
| Non-current assets | | | | | |
| Investment property | 320 | | | | 320 |
| Other property, plant and equipment | 3,258 | (133) | | | 3,125 |
| Interest in leasehold land held for own use under operating leases | 431 | | | | 431 |
| Pledged bank deposits | 5 | | | | 5 |
| Other financial assets | 4,620 | | | | 4,620 |
| Deferred tax assets | 16,700 | | | | 16,700 |
| | 25,334 | | | | 25,201 |
| Current assets | | | | | |
| Inventories | 553,718 | (79,252) | | | 474,466 |
| Trade and other receivables | 117,121 | (19) | | | 117,102 |
| Cash and cash equivalents | 5,030 | (4,115) | 26,403 | 54,434 | 81,752 |
| | 675,869 | | | | 673,320 |
| Current liabilities | | | | | |
| Trade and other payables | (136,171) | 1,027 | | | (135,144) |
| Bank borrowings | (245) | | | | (245) |
| Tax payables | (489) | 489 | | | – |
| | (136,905) | | | | (135,389) |
| Net current assets | 538,964 | | | | 537,931 |
| Total assets less current liabilities | 564,298 | | | | 563,132 |
| Non-current liabilities | | | | | |
| Bank borrowings | (136,997) | 4,000 | | | (132,997) |
| NET ASSETS | 427,301 | | | | 430,135 |
| Capital and reserves | | | | | |
| Share capital | 119,620 | | | | 119,620 |
| Reserves | 307,681 | (9,385) | | 12,219 | 310,515 |
| Total equity attributable to equity shareholders of the Company | 427,301 | | | | 430,135 |
| Minority interests | – | | | | – |
| TOTAL EQUITY | 427,301 | | | | 430,135 |

**(2) Unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group**

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had taken place on 1 January 2008.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2008 as set out in part (A) of Appendix I to this circular and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions; and (ii) factually supportable.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma consolidated statement of comprehensive income and statement of cash flows of the Remaining Group do not purport to describe the results and cash flows of the Remaining Group that would have attained had the Disposal been completed on 1 January 2008. The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group do not purport to predict the future results and cash flows of the Remaining Group.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared by the Directors for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Disposal been completed on 1 January 2008 or for any future period.

*Unaudited pro forma consolidated statement of comprehensive income*

| | The Group for the year ended 31 December 2008 | Pro forma adjustments | | Pro forma Remaining Group |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *Note (d)* | *Note (f)* | |
| Turnover | 48,533 | (44,740) | | 3,793 |
| Cost of sales | (44,579) | 44,066 | | (513) |
| Gross profit | 3,954 | | | 3,280 |
| Valuation gains on investment properties | 75,501 | | | 75,501 |
| Other revenue | 153 | (11) | | 142 |
| Other net income | 510 | (6) | | 504 |
| Write-down of inventories | (25,908) | 25,908 | | – |
| Operating and administrative expenses | (19,741) | 363 | | (19,378) |
| Profit from operations | 34,469 | | | 60,049 |
| Loss on disposal of subsidiaries | – | | (8,654) | (8,654) |
| Finance costs | (179) | 157 | | (22) |
| Profit before taxation | 34,290 | | | 51,373 |
| Income tax credit | 5,505 | (5,066) | | 439 |
| Profit for the year | 39,795 | | | 51,812 |
| **Other comprehensive income/ (expense)** | | | | |
| Exchange differences arising on translation to presentation currency, net of nil tax | (280) | 281 | | 1 |
| Available-for-sale securities: net movement in the fair value reserve, net of nil tax | (380) | | | (380) |
| | (660) | | | (379) |
| Total comprehensive income for the year | 39,135 | | | 51,433 |

***Unaudited pro forma consolidated statement of cash flows***

| | The Group for the year ended 31 December 2008 | Pro forma adjustments | | | Pro forma Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *Note (e)* | *Note (f)* | *Note (g)* | |
| OPERATING ACTIVITIES | | | | | |
| Profit before taxation | 34,290 | 25,737 | (8,654) | | 51,373 |
| Adjustments for: | | | | | |
| Valuation gains on investment properties | (75,501) | | | | (75,501) |
| Revaluation gains on buildings | 9 | | | | 9 |
| Depreciation | 1,136 | (200) | | | 936 |
| Amortisation of land lease premium | 12 | | | | 12 |
| Finance costs | 179 | (157) | | | 22 |
| Interest income | (22) | 5 | | | (17) |
| Write-down of inventories | 25,908 | (25,908) | | | – |
| Foreign exchange loss | 866 | (653) | | | 213 |
| Loss on disposal of subsidiaries | – | | 8,654 | | 8,654 |
| Operating loss before changes in working capital | (13,123) | | | | (14,299) |
| Decrease/(increase) in inventories | 39,911 | (40,216) | | | (305) |
| Decrease in trade and other receivables | 1,181 | (1,155) | | | 26 |
| Decrease in trade and other payables | (2,068) | 1,693 | | | (375) |
| Cash generated from/(used in) operations | 25,901 | | | | (14,953) |
| Hong Kong profits tax refunded | 7 | | | | 7 |
| Singapore income tax paid | (642) | 642 | | | – |
| NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES | 25,266 | | | | (14,946) |

| | The Group for the year ended 31 December 2008 | Pro forma adjustments | | | Pro forma Remaining Group |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | Note (e) | Note (f) | Note (g) | |
| INVESTING ACTIVITIES | | | | | |
| Withdrawal of pledged bank deposits | 6 | | | | 6 |
| Payment for purchase of fixed assets | (8,105) | 29 | | | (8,076) |
| Proceeds from sale of fixed assets | 22 | (22) | | | – |
| Net outflow of cash and cash equivalents in respect of disposal of subsidiaries | – | | | 49,803 | 49,803 |
| Loan repaid by a director of a subsidiary | 490 | | | | 490 |
| Loan repaid by a fellow subsidiary | 54 | (54) | | | – |
| Interest received | 22 | (5) | | | 17 |
| Proceed from repayment of Sale Loan | – | | | 61,455 | 61,455 |
| NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES | (7,511) | | | | 103,695 |
| FINANCING ACTIVITIES | | | | | |
| Increase in amount due to a related company | 508 | | | | 508 |
| Decrease in amount due to a fellow subsidiary | (302) | 302 | | | – |
| Increase in amount due to the ultimate holding company | 146 | (146) | | | – |
| Proceeds from new bank loans | 17,454 | (1,618) | | | 15,836 |
| Repayment of bank loans | (38,163) | 26,829 | | | (11,334) |
| Interest paid | (372) | 157 | | | (215) |
| NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES | (20,729) | | | | 4,795 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (2,974) | | | | 93,544 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 5,485 | | | | 5,485 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | (25) | 25 | | | – |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 2,486 | | | | 99,029 |

***Notes to the unaudited Pro Forma Financial Information:***

(a) The adjustment reflects the de-consolidation of the assets and liabilities of the Goldease Group as at 30 September 2009 and the exchange reserve attributable to the Goldease Group of HK$9,385,000, assuming the Disposal had taken place on 30 September 2009. The assets and liabilities of the Disposal Group as at 30 September 2009 are extracted from the accountants' report as set out in Appendix I to this circular.

(b) The adjustment reflects the repayment of HK$26,403,000 to the Remaining Group so as to reduce the Sale Loan to an amount of S$20,700,000 (equivalent to approximately HK$115,092,000) in accordance with the Disposal Agreement, assuming the repayment had taken place on 30 September 2009.

(c) The adjustment reflects:

(i) The Disposal consideration of approximately HK$56,434,000;

(ii) Estimated professional fee and expenses to be incurred for the Disposal of HK$2,000,000, assuming the professional fee is settled by cash immediately after the Disposal; and

(iii) Estimated gain of approximately HK$12,219,000, which was resulted from the Disposal and is calculated based on the net consideration of HK$54,434,000, the net liabilities of the Goldease Group as at 30 September 2009 of HK$63,492,000, the Sale Loan of HK$115,092,000 (after the repayment of HK$26,403,000 as stated in note (b)) and the exchange reserve attributable to the Goldease Group of HK$9,385,000, assuming that the Disposal had taken place on 30 September 2009.

(d) The adjustment reflects the de-consolidation of the results of the Goldease Group for the year ended 31 December 2008, assuming the Disposal had taken place on 1 January 2008. The results of the Goldease Group for the year ended 31 December 2008 are extracted from the accountants' report set out in Appendix I to this circular.

(e) The adjustment reflects the exclusion of the cash flows of the Goldease Group for the year ended 31 December 2008 assuming that the Disposal had taken place on 1 January 2008. The cash flows of the Goldease Group for the year ended 31 December 2008 are extracted from the accountants' report set out in Appendix I to this circular.

(f) The adjustment reflect the estimated loss of approximately HK$8,654,000 resulting from the Disposal, assuming that the Disposal had taken place on 1 January 2008. The estimated loss of approximately HK$8,654,000 is calculated based on the net consideration of HK$54,434,000, the net liabilities of the Goldease Group as at 1 January 2008 of HK$45,036,000, the Sale Loan of HK$115,092,000 (after the repayment of HK$61,455,000 so as to reduce the Sale Loan to HK$115,092,000) and the exchange reserve attributable to the Goldease Group of HK$6,968,000.

(g) The adjustment reflects the net cash inflows amounting to approximately HK$49,803,000 resulting from the Disposal, assuming the Disposal had taken place on 1 January 2008. The net cash inflow of HK$49,803,000 represents the estimated cash consideration for the Disposal of HK$56,434,000 less bank balances and cash of the Goldease Group on 1 January 2008 amounting to approximately HK$4,631,000 and the estimated professional fee of HK$2,000,000.

In addition, the adjustment reflect the repayment of HK$61,455,000 to the Remaining Group so as to reduce the Sale Loan to an amount of S$20,700,000 (equivalent to approximately HK$115,092,000) in accordance with the Disposal Agreement, assuming the repayment had taken place on 1 January 2008.

(h) Except for the Disposal and partial repayment of Sale Loan, no adjustment has been made to reflect any trading results or other transactions of the Group or the Goldease Group entered into subsequent to 30 September 2009.

(i) The above pro forma adjustments will not have continuing impact to the Remaining Group's statement of comprehensive income and consolidated statement of cash flows in subsequent financial years.

## (B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a comfort letter, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.*

CCIF

**CCIF CPA LIMITED**

20/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

**ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF WINFOONG INTERNATIONAL LIMITED**

We report on the unaudited pro forma financial information of Winfoong International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial disposal of the entire issued share capital of Goldease Investments Limited might have affected the financial information presented, for inclusion in part (A) of Appendix III to the circular dated 24 December 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages III-1 to III-8 of the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely 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 purpose 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 future and may not be indicative of:

- the financial position of the Group as at 30 September 2009 or any future date; or

- the results and cash flows of the Group for the year ended 31 December 2008 or any future period.

**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 the 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
24 December 2009

**Yau Hok Hung**
Practising Certificate Number P04911

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Savills (Singapore) Pte Ltd., and independent valuer, in connection with its valuation as at 30 September 2009 of the property interests of the Goldease Group.*

savills
第一太平戴維斯

Savills (Singapore) Pte Ltd
DL: 6536 8600
F: 6536 8611

No. 2 Shenton Way
#17 - 01 SGX Centre 1
Singapore 068804, Singapore

REG No.: 198703410D
T: (65) 6536 5022
savills.com

24 December 2009

**The Board of Directors**
**Winfoong International Limited**
Room 3201
9 Queen's Road Central
Hong Kong

Dear Sirs

**VALUATION OF 7C BALMORAL PARK #02-01, #02-02, #04-02, #05-02, #06-02 & #09-01 JEWEL OF BALMORAL SINGAPORE 259865**

**1. PURPOSE OF REPORT**

We refer to the recent instruction to carry out a valuation of the above-mentioned property so as to advise you on its **Open Market Value** as at 30 September 2009 for the purposes of inclusion into the Circular to the shareholders of Winfoong International Limited dated 24 December 2009.

Our valuation report is prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets published by The Royal Institute of Chartered Surveyors (Hong Kong Branch) and the Hong Kong Institute of Surveyors.

**Open Market Value** is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realization, or for taxation which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges which may be secured thereon.

## 2. LOCATION

The subject development is situated in a prime residential area, off Stevens Road. It is a short drive away from Orchard Road, the main shopping and entertainment belt of Singapore.

Residential developments in the vicinity include The Balmoral, Pinewood Gardens, Pinetree Condominium and Number One Balmoral.

The Pines, Tanglin Club, American Club and Raffles Girls' Secondary School are located nearby.

(Please refer to Location Plan under APPENDIX 'A')

## 3. THE SUBJECT DEVELOPMENT

Jewel of Balmoral is a 10-storey residential development comprising 14 units of apartments and 2 penthouses. Facilities in the development include swimming pool, children's pool, bubble pool, gymnasium, barbecue pit and basement carpark.

Temporary Occupation Permit[1] (TOP) was issued in February 2000. Hence the development is approximately 9.5 years old.

(Please refer to Site Plan Plan under APPENDIX 'B')

## 4. THE SUBJECT PROPERTIES

The subject properties comprise 5 units of apartments and 1 penthouse within the said development. We are given to understand that the subject properties are primarily held for sale. Details of each unit are as follows:

| Unit No. | No. of Bedrooms | Strata Floor Area *(Sq. M.)* |
|---|---|---|
| #02-01 | 1 | 76 |
| #02-02 | 1 | 77 |
| #04-02 | 3 | 125 |
| #05-02 | 3 | 125 |
| #06-02 | 3 | 125 |
| #09-01 | 3 (penthouse) | 224 |
| | **Total** | **752** |

(Please refer to Floor Plans under APPENDIX 'C')

Each unit is furnished with polished marble flooring to the living, dining, bathrooms and powder rooms, timber strip flooring to the bedrooms and ceramic/homogeneous tiles to the kitchen, utility, yard and toilets. The units are fitted with high and low level kitchen cabinets, cooker hob and hood, built-in oven, microwave oven and dishwasher. Multi-split concealed air-conditioning system is provided in all bedrooms and living/dining areas. The units are also fitted with audio-video intercom and proximity card-key access system and home automation system.

*Note*:* Unit #05-02 was in the midst of being disposed as at 30 September 2009. The option to purchase was granted on 19 August 2009 and exercised on 2 September 2009. The aforesaid sale was completed on 28 October 2009. The transacted price was S$1,951,700/–.

[1] TOP is issued when the building is physically completed and fit for occupation.

## 5. OCCUPANCY STATUS

We are given to understand that as at 30 September 2009, units #02-01 and #02-02 were vacant and that the other 4 units are currently tenanted at gross rents ranging from S$5,800/– per month to S$8,000/– per month, all of which include maintenance charges. The expiry dates of these tenancies range from 10 July 2010 to 14 November 2010. We are given to understand that there are no material rent review provisions in these tenancies.

## 6. TITLE DETAILS OF SUBJECT PROPERTIES

Legal Description : All of Town Subdivision 26

| Unit No. | Strata Lot No. | Registered Owner |
|---|---|---|
| #02-01 | U2179A | } |
| #02-02 | U2180P | } |
| #04-02 | U2188M | } Arundel Trading Pte Ltd* |
| #05-02 | U2189W | } |
| #06-02 | U2190C | } |
| #09-01 | U2193V | Firth Enterprises Pte Ltd* |

* Both registered owners are wholly-owned subsidiaries of Goldease Group.

Tenure : Freehold (Estate In Fee Simple)

## 7. TOWN PLANNING

Under the 2008 Edition of the Master Plan, the subject development is situated in an area zoned "Residential" with a gross plot ratio of 1.6.

## 8. METHOD OF VALUATION

The **Sales Comparison Method** of valuation has been adopted in determining the **Open Market Value** of the subject properties.

Under the **Sales Comparison Method**, the market value of a property is assessed having regard to recent transactions of similar type properties, preferably in the same locality.

Appropriate adjustments are made to account for differences in tenure, location, condition, etc. This method is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property available in the market. This approach also takes into account the general prevailing economic condition affecting the property market.

## 9. OPINION OF VALUE

In view of the aforementioned and having taken into account the relevant factors and the prevailing market condition, we are of the considered opinion that the **Open Market Value** of the subject properties as at 30 September 2009 is **S$11,750,000/–** (Singapore Dollars Eleven Million Seven Hundred And Fifty Thousand Only).

| Unit No. | Strata Floor Area | Rate | Open Market Value as at 30 September 2009 |
|---|---|---|---|
| | *(sq m)* | *($psm)* | *(S$)* |
| A) Units owned by Arundel Trading Pte Ltd: | | | |
| #02-01 | 76 | 16,316 | 1,240,000 |
| #02-02 | 77 | 16,234 | 1,250,000 |
| #04-02 | 125 | 16,000 | 2,000,000 |
| #05-02 | 125 | 16,000 | 2,000,000 |
| #06-02 | 125 | 16,000 | 2,000,000 |
| | | **Sub-Total (A)** | **8,490,000** |
| B) Unit owned by Firth Enterprises Pte Ltd: | | | |
| #09-01 | 224 | 14,554 | 3,260,000 |
| | | **Sub-Total (B)** | **3,260,000** |
| | | **Grand Total (A+B)** | **11,750,000** |

Yours faithfully
**SAVILLS (SINGAPORE) PTE LTD**
**DANIEL EE**
*Licensed Appraiser*
*B.Sc. (Estate Management)*
*Member of Singapore Institute of Surveyors and Valuers*

**Note: Limiting conditions**

*We shall only be responsible to Winfoong International Limited ("Company"). We are not liable to any other party except the Company in connection with this valuation as the advice contained herein is limited to the scope of the instruction received. We are not required to give testimony to appear in court by reason of this report unless prior arrangement has been made therefore.*

*Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular to statement nor publishing in any way without our prior written approval of the form and context in which it may appear.*

*The opinion expressed in this report applies strictly on the terms of and for the purpose expressed in this valuation. Hence, the value shall never be quoted out of context in connection with any other assessment.*

*We accept no liability if his opinion is quoted without regard to the full background of the reason why this report is written.*

*No allowance has been made in our valuation for any mortgages, charges or amounts owing on the property or for any taxation or other expenses, which would be incurred in effecting a sale.*

*As we have not had an opportunity of inspecting the Title Deeds of the property, our valuation assumes that there are no adversely restrictive covenants, easements, rights of way or other factors of which we have not been informed.*

*Where it is stated in this report that information or data has been made known to us by another party, this information is believed to be reliable and he disclaims all responsibility if this should later prove not to be so.*

*Where information is given without reference to another party in this report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge.*

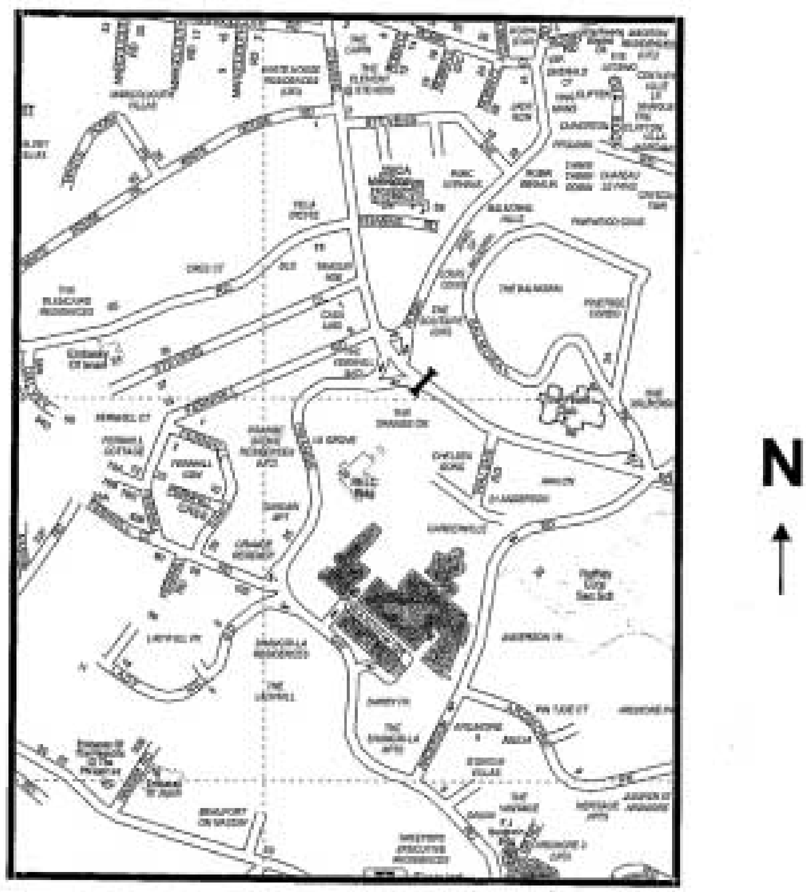
*Processed date inferences therefrom shall be taken as our opinion and shall not be freely quoted without acknowledgment.*

*While due care is exercised in the course of inspection to note building defects, no structural survey is carried out and no guarantee shall be given in respect of termite or pest infestation, not and/or any other hidden defects, unless specific instructions are given to us to include a through structural survey of the property.*

*We do not normally carry out investigations on site in order to ascertain the suitability of the ground conditions, and the services, for any new development. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.*

**Appendix A**

## LOCATION PLAN

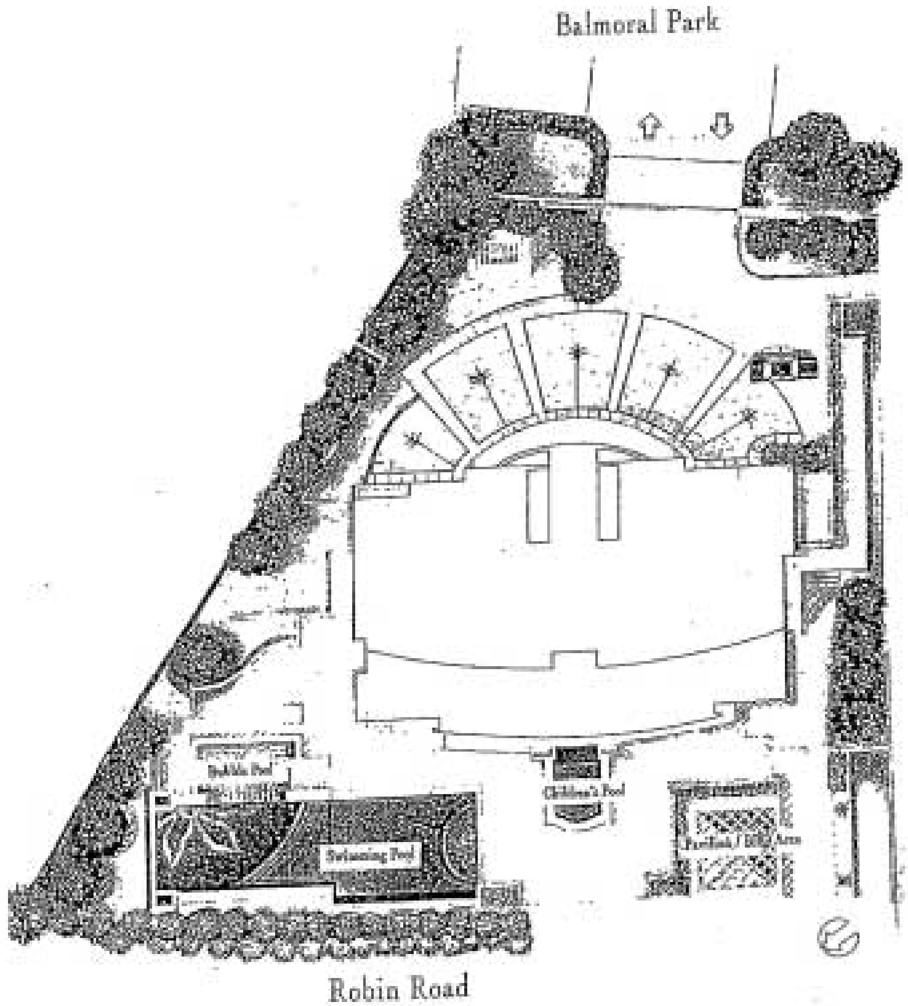



NOT TO SCALE

LEGEND

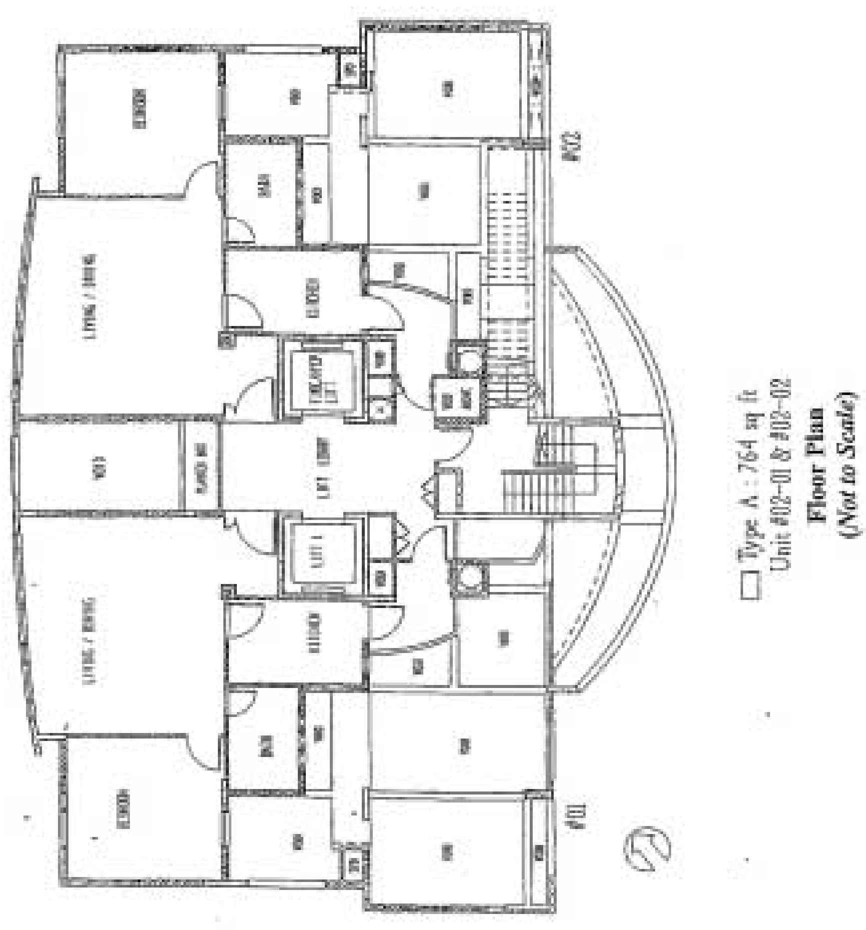
SUBJECT DEVELOPMENT

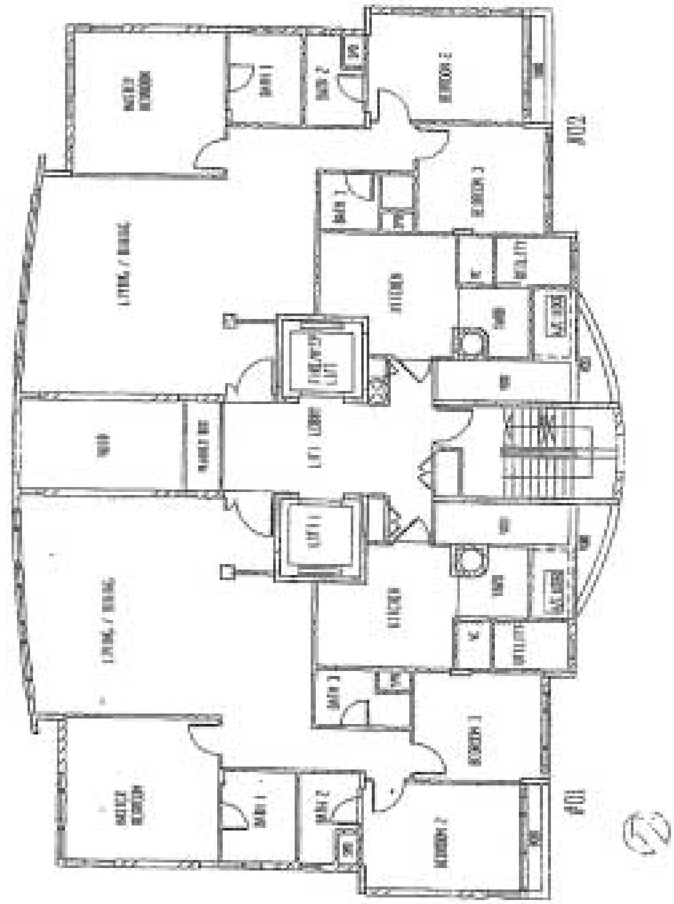
**Appendix B**




**Site Plan**
**(*Not to Scale*)**

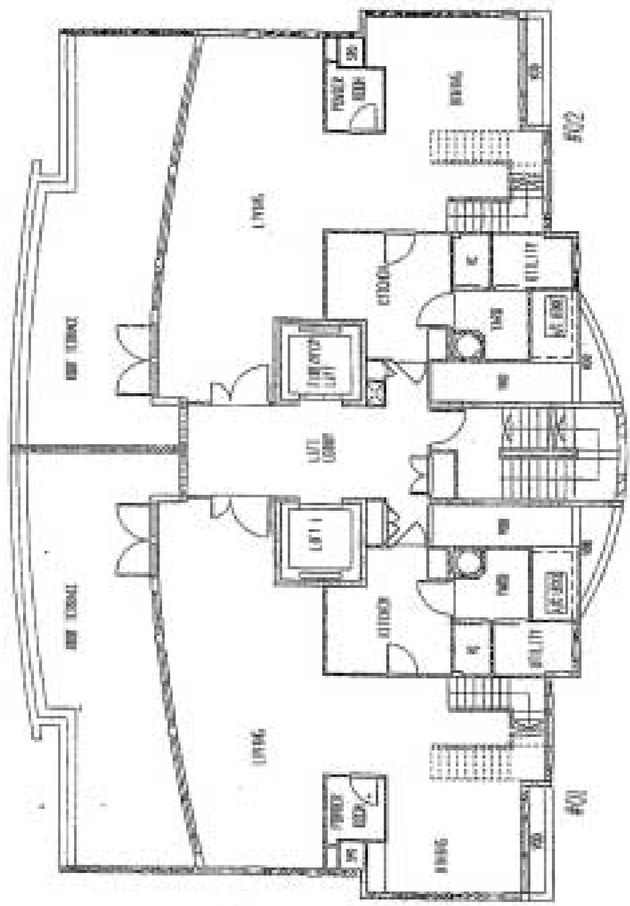
**Appendix C**





Type B : 1346 sq ft
Units #03–01/02 to #08–01/02

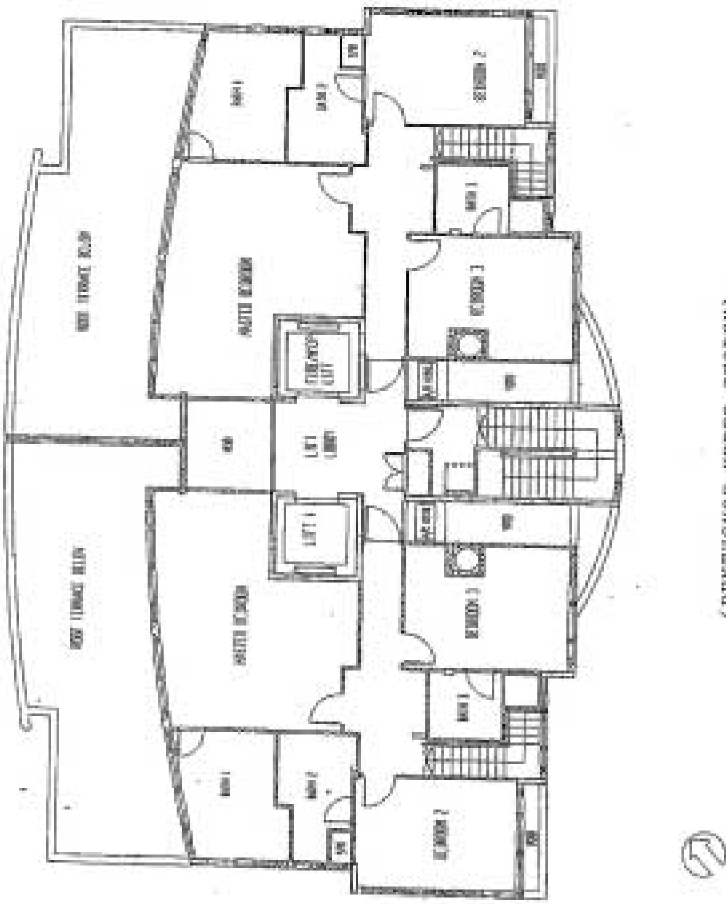
**Floor Plan**
***(Not to Scale)***




(PENTHOUSE LOWER STOREY)

☐ Type C : 2411 sq ft
Units #09-01/02

**Floor Plan**
*(Not to Scale)*



(PENTHOUSE UPPER STOREY)

**Floor Plan**
***(Not to Scale)***

Savills (Singapore) Pte Ltd
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24 December 2009

**The Board of Directors**
**Winfoong International Limited**
Room 3201
9 Queen's Road Central
Hong Kong

Dear Sirs

**VALUATION OF 10 SUFFOLK ROAD #12-02, #12-03 & #13-01 ten@suffolk, SINGAPORE 307786**

## 1. PURPOSE OF REPORT

We refer to the recent instruction to carry out a valuation of the above-mentioned property so as to advise you on its **Open Market Value** as at 30 September 2009 for the purposes of inclusion into the Circular to the shareholders of Winfoong International Limited dated 24 December 2009.

Our valuation report is prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets published by The Royal Institute of Chartered Surveyors (Hong Kong Branch) and the Hong Kong Institute of Surveyors.

**Open Market Value** is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

(a) a willing seller;

(b) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

No allowances have been made for any expenses, or realization, or for taxation which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges which may be secured thereon.

## 2. LOCATION

The subject development is located along Suffolk Road, off Thomson Road, near the junction of Keng Lee Road, Kampong Java Road and Norfolk Road, within a prime and established residential estate.

Prominent residential developments in the vicinity include Suffolk Apartments, Kartar Apartments, The Spinnaker, The Lincoln Modern and Rosevale.

It is about 10 minutes drive to Orchard Road and within 1 kilometre from Novena and Newton MRT stations.

(Please refer to Location Plan under Appendix 'A')

## 3. SUBJECT DEVELOPMENT

ten@suffolk comprise a block of part 13/part 15-storey residential development (total of 37 units) with basement carpark, a swimming pool, function room, gymnasium, barbeque area, children's playground, Jacuzzi and foot reflexology path.

Temporary Occupation Permit[1] (TOP) for the said development was issued in March 2006. Hence the development is approximately 3.5 years old.

(Please refer to Site Layout Plan under Appendix 'B')

## 4. SUBJECT PROPERTIES

The subject properties comprise 3 balance units within Ten@Suffolk. The strata floor area of the balance 3 units is 317 square metres (3,412 square feet).

We are given to understand that the subject properties are primarily held for sale.

[1] TOP is issued when the building is physically completed and fit for occupation.

Each unit is furnished with polished marble flooring to the living, dining, attached bathrooms and stores, timber strip flooring to the bedrooms, Burlington stone tiles to the kitchen and bathrooms and ceramic tiles to the utility, yard and toilets. The units are fitted with high and low kitchen cabinets with cooker hob, exhaust hood and ovens. The bedrooms are fitted with wardrobes. Split unit-air-conditioning system is provided in all bedrooms and living/dining areas.

(Please refer to Typical Floor Plans under Appendix 'C')

The schedule of Strata Floor Areas (extracted from the letter from M/s Tang Tuck Kim Registered Surveyor dated 7th October 2005) for the balance 3 units is as follows:

| **Unit** | **Storey** | **Type of Use** | **Strata Floor Area** *(In Sq M)* | |
|---|---|---|---|---|
| #12-02 | 12th | Flat | 101 | (incl. A/C ledge 3 sq m, planter 2 sq m) |
| #12-03 | 12th | Flat | 104 | (incl. A/C ledge 2 sq m, planter 2 sq m) |
| #13-01 | 13th | Flat | 112 | (incl. A/C ledge 2 sq m, planter 2 sq m balcony 4 sq m) |
| | | | **317** | |

## 5. OCCUPANCY STATUS

As at 30 September 2009, we are given to understand that all 3 subject units are currently tenanted at gross rents ranging from S$3,000/– per month to S$4,500/– per month, all of which include maintenance charges. The expiry dates of these tenancies range from 21 May 2010 to 9 June 2011. We are given to understand that there are no material rent review in these tenancies.

## 6. TITLE DETAILS OF SUBJECT PROPERTIES

Legal Description : All of Town Subdivision 28

| **Unit** | **Strata Lot No.** |
|---|---|
| #12-02 | U3606X |
| #12-03 | U3618K |
| #13-01 | U3594K |

Tenure : Freehold (Estate in fee simple)

Registered Owner : Hong Fok Development (Newton) Pte Ltd which is a wholly-owned subsidiary of Goldease Group.

## 7. TOWN PLANNING

Under the 2008 Edition of the Master Plan, the subject development is situated in an area zoned “Residential” with a gross plot ratio of 2.8 and a building height of not more than 99 metres above mean sea level (AMSL).

## 8. METHOD OF VALUATION

The **Sales Comparison Method** of valuation has been adopted in determining the **Open Market Value** of the subject properties.

Under the **Sales Comparison Method**, the market value of a properly is assessed having regard to recent transactions of similar type properties, preferably in the same locality. Appropriate adjustments are made to account for differences in tenure, location, condition, etc. This method is based on the substitution principle whereby a prudent purchaser is assumed to pay no more for a particular property than it would cost to buy an equally desirable substitute property available in the market. This approach also takes into account the general prevailing economic condition affecting the properly market.

## 9. OPINION OF VALUE

In view of the aforementioned and having taken into account the relevant factors and the prevailing market condition, we are of the opinion that the **Open Market Value** of the balance 3 units of ten@suffolk as at 30 September 2009 is **S$3,890,000/–** (Singapore Dollars Three Million Eight Hundred And Ninety Thousand Only).

| **Unit** | **Strata Floor Area** | **Rate** | **Open Market Value as at 30 September 2009** |
|---|---|---|---|
| | *(sq m)* | *($psm)* | *(S$)* |
| #12-02 | 101 | 12,327 | 1,245,000/– |
| #12-03 | 104 | 12,212 | 1,270,000/– |
| #13-01 | 112 | 12,277 | 1,375,000/– |
| **Total** | | | **3,890,000/–** |

Yours faithfully
**SAVILLS (SINGAPORE) PTE LTD**
**DANIEL EE**
*Licensed Appraiser*
*B.Sc. (Estate Management)*
*Member of Singapore Institute of Surveyors and Valuers*

**Note: Limiting conditions**

*We shall only be responsible to Winfoong International Limited ("Company"). We are not liable to any other party except the Company in connection with this valuation as the advice contained herein is limited to the scope of the instruction received. We are not required to give testimony to appear in court by reason of this report unless prior arrangement has been made therefore.*

*Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular to statement nor publishing in any way without our prior written approval of the form and context in which it may appear.*

*The opinion expressed in this report applies strictly on the terms of and for the purpose expressed in this valuation. Hence, the value shall never be quoted out of context in connection with any other assessment.*

*We accept no liability if his opinion is quoted without regard to the full background of the reason why this report is written.*

*No allowance has been made in our valuation for any mortgages, charges or amounts owing on the property or for any taxation or other expenses, which would be incurred in effecting a sale.*

*As we have not had an opportunity of inspecting the Title Deeds of the property, our valuation assumes that there are no adversely restrictive covenants, easements, rights of way or other factors of which we have not been informed.*

*Where it is stated in this report that information or data has been made known to us by another party, this information is believed to be reliable and he disclaims all responsibility if this should later prove not to be so.*

*Where information is given without reference to another party in this report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge.*

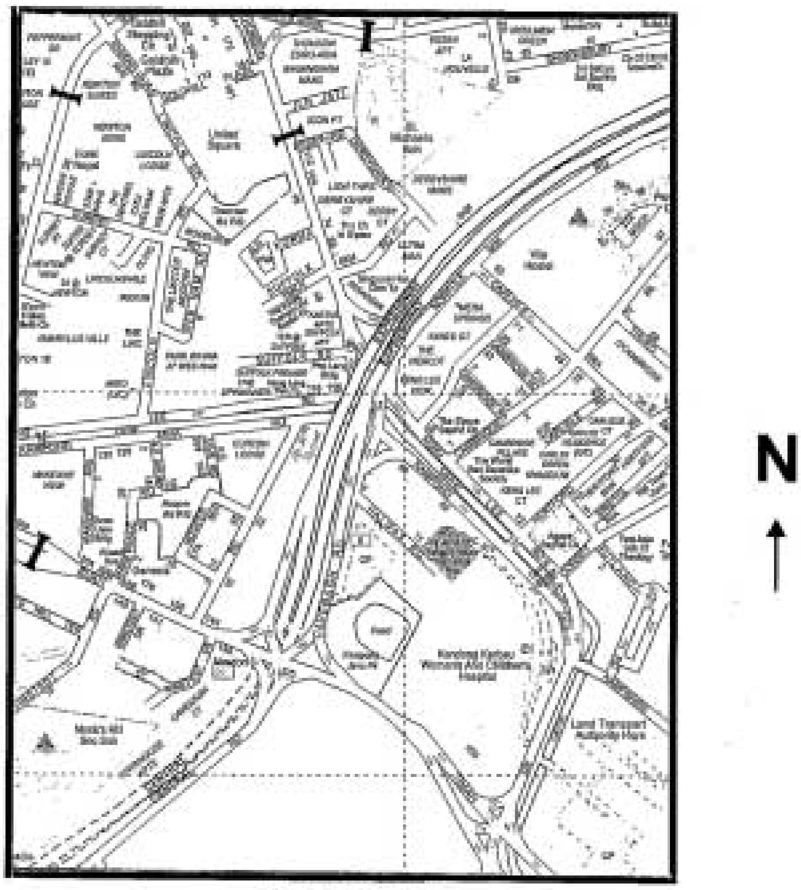
*Processed date inferences therefrom shall be taken as our opinion and shall not be freely quoted without acknowledgment.*

*While due care is exercised in the course of inspection to note building defects, no structural survey is carried out and no guarantee shall be given in respect of termite or pest infestation, not and/or any other hidden defects, unless specific instructions are given to us to include a through structural survey of the property.*

*We do not normally carry out investigations on site in order to ascertain the suitability of the ground conditions, and the services, for any new development. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.*

**Appendix A**

## LOCATION PLAN

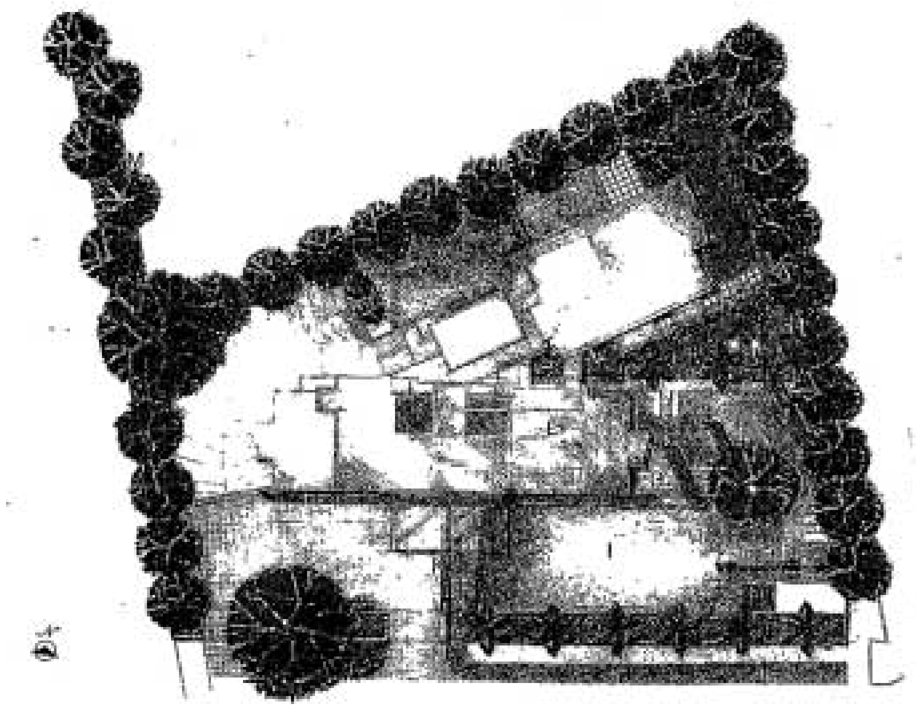



NOT TO SCALE

LEGEND

SUBJECT DEVELOPMENT

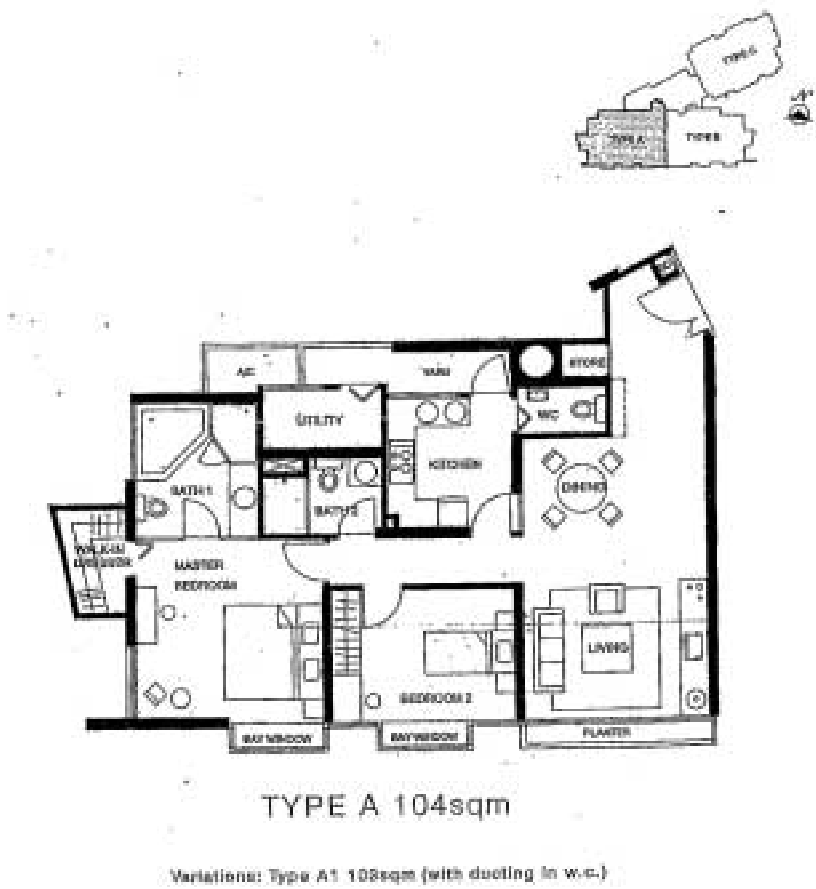
**Appendix B**



A – Children's Playground
B – Private Enclosed Space
C – Private Enclosed Space
D – Lawn
E – Pool Deck
F – Barbecue Area
G – Children's Pool
H – Jacuzzi
I – Main Pool
J – Pedestrian Entrance
K – Porte Cochere
L – Gymnasium/Function Room
M – Reflexology Footpath & Fragrant Garden

Site Plan
(*Not to Scale*)

**Appendix C**




TYPICAL FLOOR PLAN
*(Not to Scale)*

TYPICAL FLOOR PLAN
*(Not to Scale)*


TYPE C 110sqm

Variations: Type C2 112sqm (with balcony at living room)

TYPICAL FLOOR PLAN

*(Not to Scale)*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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. DISCLOSURE OF INTERESTS

### (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 |
|---|---|---|---|
| Ms. H.K. Cheong | Beneficial owner | 2,200,000 *(Note 1)* | 0.09% |
| Cheong Pin Chuan, Patrick | Interest of spouse | 3,736,700 *(Note 2)* | 0.16% |

*Note:*

1. Ms. H.K. Cheong is an alternate 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 provisionally alloted to her pursuant to the Rights Issue.

2. 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 provisionally alloted to her pursuant to the Rights Issue.

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

*HFC*

| Name of Directors | Nature of interest | Number of shares or underlying shares of HFC held | Approximate percentage of the existing issued share capital of HFC as at the Latest Practicable Date |
|---|---|---|---|
| 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 *(Note 1)* | 15.78% |
| | Other | 134,537,600 *(Note 2)* | 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 *(Note 3)* | 4.74% |
| | Other | 134,537,600 *(Note 4)* | 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 *(Note 5)* | 15.78% |
| | Other | 134,537,600 *(Note 4)* | 20.40% |

| Name of Directors | Nature of interest | Number of shares or underlying shares of HFC held | Approximate percentage of the existing issued share capital of HFC as at the Latest Practicable Date |
|---|---|---|---|
| Lim Ghee | Other | 134,537,600 *(Note 6)* | 20.40% |
| Ms. H.K. Cheong | Beneficial owner | 10,569,000 | 1.60% |
| | Other | 134,537,600 *(Note 7)* | 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. H.K. Cheong 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:***

| Name | Capacity | Total number of Shares or underlying Shares | Approximate percentage to the existing issued share capital of the Company as at the Latest Practicable Date |
|---|---|---|---|
| HFC | Held by controlled corporation | 1,741,886,885 | 72.81% |
| HFL | Beneficial owner | 239,241,098 | 10.00% |
| | Held by controlled corporation | 478,482,197 | 20.00% |
| Barragan Trading Corp. *(Note 1)* | Beneficial owner | 285,312,566 | 11.93% |
| Praise Time Co Limited | Beneficial Owner | 136,000,000 | 5.68% |

*Note:*

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

***Persons holding 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Group:***

| Name of subsidiary | Name of holder | Approximate percentage of shareholding as at the Latest Practicable Date |
|---|---|---|
| Winfoong Overseas Limited | HFC | 31.82% |

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 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.

**(c) Competing interests**

As at the Latest Practicable Date, interests of a Director and his associates in competing businesses of the Group were as follows:

| Name of Director | Name of company | Nature of competing business | Nature of interest |
|---|---|---|---|
| Cheong Kim Pong | HFC | Property–related business | As a director and shareholder |
| Cheong Pin Chuan, Patrick | HFC | Property–related business | As a director and shareholder |
| | HFL | Property–related business | As a director and the spouse of a shareholder |
| Cheong Sim Eng | HFC | Property–related business | As a director and shareholder |

| Name of Director | Name of company | Nature of competing business | Nature of interest |
|---|---|---|---|
| Ms. H. K. Cheong | HFC | Property–related business | As a director and shareholder |
| | HFL | Property–related business | As a director and shareholder |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or any others conflicts of interests with the Group.

## 3. DIRECTORS' OTHER INTERESTS

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

As disclosed in the accountants' report set out in Appendix I to this circular, the Group paid management fee of approximately HK$8.4 million to HFL for share of administrative expenses during the nine months ended 30 September 2009. 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$0.6 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 2009 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 paragraph headed "Material Contract" and the 2009 Fees and Expenses Sharing Arrangements, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

## 4. LITIGATION AND CLAIMS

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. The Company is of the view that the claim is based on unreasonable and invalid grounds and therefore unfounded. The Directors are of the view that the aforesaid claim will not have a material adverse impact on the financial position of the Group and therefore no provision has been made in respect of this claim.

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. 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).

## 6. EXPERTS

CCIF CPA Limited ("CCIF"), Savills and Goldin Financial have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letters and/or references to their names in the form and context in which they respectively appear.

The following are the qualifications of the experts who have provided their advice and reports (as the case may be) for the inclusion in this circular:

| Name | Qualification |
|---|---|
| CCIF CPA Limited | Certified Public Accountants |
| Savills (Singapore) Pte Ltd | Independent professional valuer |
| Goldin Financial Limited | a company incorporated in Hong Kong with limited liability and a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, CCIF, Savills and Goldin Financial were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, none of CCIF, Savills and Goldin Financial had any interests, either direct or indirect, in any assets which have been acquired or disposed of, by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Company since 31 December 2008, being the date to which the latest published audited financial results of the Group were made up.

## 7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

## 8. MATERIAL CONTRACT

The following are the contracts entered into by members of the Group (save for those entered into in the ordinary course of business) within the two years preceding the date of this circular 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 underwriting agreement dated 16 November 2009 entered into between the Company and HFL in respect of the Rights Issue; and

(c) the Disposal Agreement.

## 9. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and the principal place of business of the Company in Hong Kong is located at Room 3201, 9 Queen's Road Central, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, Hamilton 08, Bermuda.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Ms. Cheng Kin Nam, Julia, who is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(f) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Room 3201, 9 Queen's Road Central, Hong Kong, up to and including the date of the SGM, being Monday, 18 January 2010:

(a) the memorandum of association and bye-laws of the Company;

(b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 13 to 14 in this circular;

(c) the letter of advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 26 of this circular;

(d) the accountants' report on the Group, the text of which is set out in Appendix I to this circular;

(e) the annual reports on the Company for the two financial years ended 31 December 2008;

(f) the letter from CCIF in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(g) the valuation report on the Goldease Group and the comfort letters issued by Savills, the text of which are set out in Appendix IV to this circular;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consents from the experts referred to in the paragraph headed "Experts" in this appendix;

(j) the 2007 Agreement; and

(k) this circular.

# WINFOONG INTERNATIONAL LIMITED
## (榮豐國際有限公司*)

*(Incorporated in Bermuda with limited liability)*
**(Stock code: 63)**

**NOTICE IS HEREBY GIVEN** that the special general meeting (the "Meeting") of Winfoong International Limited (the "Company") will be held at Room 3201, 9 Queen's Road Central, Hong Kong on Monday, 18 January 2010 at 4:00 p.m. for the purpose of consideration and, if thought fit, passing with or without modification the following ordinary resolution of the Company:

**ORDINARY RESOLUTION**

"**THAT**:

(a) the conditional sale and purchase agreement dated 16 November 2009 (the "**Disposal Agreement**") entered into between Winfoong Assets Limited ("**WAL**"), a wholly owned subsidiary of the Company, as vendor, and Hong Fok Corporation Limited ("**HFC**"), as purchaser, in relation to the Disposal (as defined in the circular to Shareholders dated 24 December 2009 (the "**Circular**"), a copy of which has been produced to this meeting marked "A" and initialed by the chairman of the Meeting for identification purposes), pursuant to which WAL agreed to sell HFC all its interests in Goldease Investments Limited and the sum of the outstanding inter-company loans owed by Goldease Investments Limited and its subsidiaries to WAL and one of its subsidiaries on completion of the Disposal Agreement, and the transactions contemplated under the Disposal Agreement, be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company, acting together, individually or by committee be and are hereby authorised to do all such acts on behalf of the Company as they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Disposal Agreement and the transactions contemplated by or incidental to the Disposal Agreement."

By order of the Board of
**Winfoong International Limited**
**Cheong Pin Chuan, Patrick**
*Chairman*

Hong Kong, 24 December 2009

* *For identification purpose only*

*Notes:*

1. A shareholder entitled to attend and vote at the Meeting may appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.