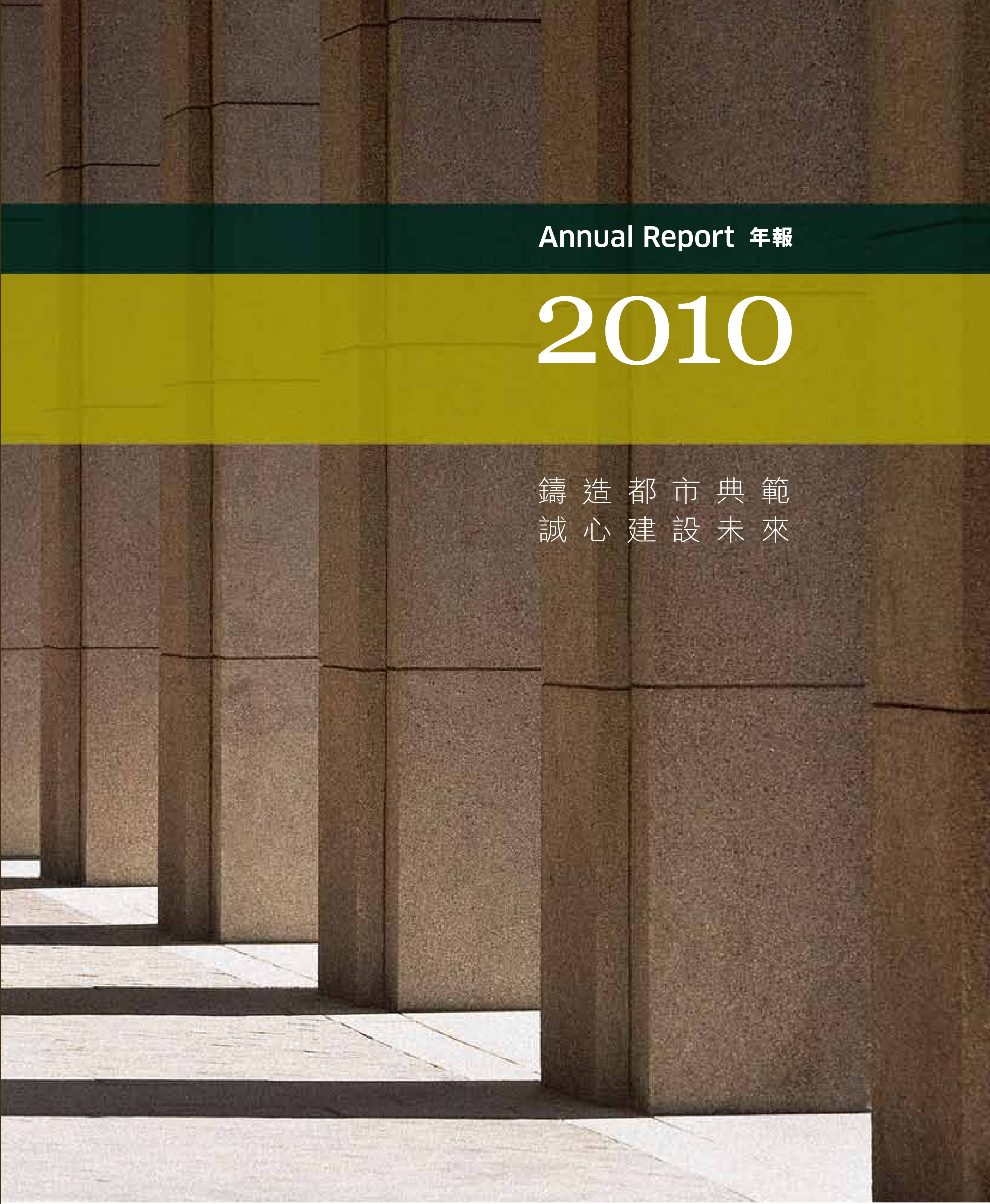


Annual Report 年報

2010

鑄 造 都 市 典 範
誠 心 建 設 未 來

INCORPORATED IN BERMUDA WITH LIMITED LIABILITY
於百慕達註冊成立之有限公司
STOCK CODE 股份代號 878

金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

Contents

Corporate Information

DIRECTORS

Executive Directors:

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling
KONG Siu Man, Kenny
TSE Wai Hang

Non-Executive Directors:

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

Independent Non-Executive Directors:

CHAN Kai Nang
PAO Ping Wing
NG Chi Keung

COMPANY SECRETARY

TSE Wai Hang

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISORS

Lo, Wong & Tsui
Conyers Dill & Pearman

WEBSITE

www.soundwill.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Chairman's Statement

Dear Shareholders:

With Hong Kong's economic fundamentals gradually moving on a positive track and the general business environment maintaining stable growth, the transaction volume and prices in the property market have increased significantly. During the past year, the Group leveraged on its extensive experience in establishing a long-term operating roadmap, coupled with accurate market judgments, both its property development and sales business achieved outstanding performance. The relaxation of compulsory auction sale threshold of old buildings from 90% to 80% by the government in April 2010 also presented a favorable condition for the Group in accelerating the unification of ownership.

During the year under review, the Group launched its painstakingly planned boutique development project located in Tai Hang area on the Hong Kong Island – "WarrenWoods" in 2010 for presale which was warmly received. The project was built on our team's insightful view and capability of capturing the rising opportunities in transforming land acquired through ownership unification into boutique luxury residence. It would become the latest benchmark for quality residential development in the Hong Kong and testified to the Group's strengths in acquiring land through ownership unification, property development and sales business, as well as its remarkable achievement in enhancing the living quality and land value for the community.

On the other hand, the rent level of street level retails on Russell Street broke new records under the stimulation of the robust retailing market and the strong consumption of mainland visitors. Sitting in the prime section on Russell Street, the Group's flagship rental property, Soundwill Plaza, continued to record a 100% occupancy rate and brought stable income and profit to the Group in the long term. In view of the infinite potential of the retailing market in Causeway Bay, the Group already commenced construction of a Grade A commercial building at 1-29 Tang Lung Street, right behind Russell Street. This project will be another Ginza-style commercial building after Soundwill Plaza, and will further extend the core shopping area in Causeway Bay. The Group is set to further create record-breaking revenue from its property development business.

I would like to take this opportunity to thank our shareholders, directors and business partners for their consistent support. I would also like to express gratitude to the management and our staff for their efforts during the past year. The Group will continue to dedicate itself to further enhancing its performance and maximizing the return to its shareholders.

Foo Kam Chu, Grace
Chairman

Hong Kong, 23 March 2011

Directors' Profile

FOO Kam Chu, Grace, aged 67, is the founder and Chairman of the Group. Madam Foo has extensive experience in property market. She has been engaging in the property business in Hong Kong since early 1970s, particularly specialised in the acquisition of old buildings for redevelopment into commercial or residential buildings. Madam Foo is currently responsible for the Group's overall development direction and strategies. Furthermore, she serves as a standing committee member of Guangzhou Committee of the Chinese People's Political Consultative Conference and has been elected as an honorary citizen of Guangzhou and executive committee member of Guangdong Province (Women) Members Association. She is familiar with the political and economic affairs in the PRC.

CHAN Wai Ling, aged 40, is an Executive Director of the Company. She is in charge of Hong Kong property department and is responsible for the property development and leasing of Hong Kong properties of the Group. She graduated from the University of Toronto, Canada with a bachelor degree in commerce and also obtained a Master of Business Administration Degree from University of Strathclyde, United Kingdom. Before joining the Group in September 1998, she had worked in an international property consultant firm and had operated her own property investment business for more than five years.

KONG Siu Man, Kenny, aged 48, is the Executive Director in charge of the property development of the Group. Mr. Kong graduated from the Hong Kong Polytechnic University. He is a Chartered Surveyor of Royal Institution of Chartered Surveyors of Hong Kong, a Registered Professional Surveyor and an Authorized Person under Buildings Ordinance of Hong Kong SAR Government. He joined the Company in 2009 and has over 21 years experience in the Mainland and Hong Kong property market.

TSE Wai Hang, aged 46, is the Executive Director in charge of legal and company secretarial department of the Group. Mr. Tse graduated from the University of Hong Kong with a bachelor's degree in laws. He is a qualified solicitor in Hong Kong. He joined the Company in 2010 and has over 20 years experience in the legal field.

LIANG Yanfeng, aged 45, has been a Non-Executive Director and the non-executive vice-chairman of the Board of the Company since 5 December 2006. Mr. Liang is also an executive director of COSCO International Holdings Limited and a non-executive director of Sino-Ocean Land Holdings Limited, both of which are listed on the Stock Exchange and the director and vice-president of COSCO (Hong Kong) Group Limited. Mr. Liang had been an executive director of COSCO Pacific Limited. Mr. Liang has a Master's degree in Laws and an Executive Master of Business Administration from the Department of Social Science and the School of Economics and Management of Tsinghua University respectively and the Senior Economist qualification awarded by the Ministry of Communications of the PRC. He has extensive experience in corporate management and capital market operation.

Directors' Profile

MENG Qinghui, aged 55, has been a Non-Executive Director of the Board of the Company since 22 April 2003. He is also a non-executive director of COSCO International Holdings Limited and Chong Hing Bank Limited, both of which are listed on the Stock Exchange and the managing director of Finance Division of COSCO (Hong Kong) Group Limited. Mr. Meng graduated from Central South University and has the PRC accountant qualification. He has extensive experience in corporate financial management and accounting and is also familiar with corporate financial planning.

CHAN Kai Nang, aged 65, appointed as Independent Non-Executive Director of the Company on 11 March 2009, received a Postgraduate Diploma in Management Studies from The University of Hong Kong and Bachelor of Laws from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the UK and The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants in the UK. Mr. Chan has been a top level executive with substantial experience in major multinational and local corporations. He had been the regional controller and senior executive of these corporations for many years. Mr. Chan was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) and managing director of K. Wah Construction Materials Limited. The shares of the above-named company are listed on the Stock Exchange. He is currently an adviser of K. Wah Construction Materials Limited. Mr. Chan was also appointed as independent non-executive director of Asian Capital Holdings Limited, the shares of which listed on the Growth Enterprise Market of the Stock Exchange and Prosperity International Holdings (H.K.) Limited, a company listed on Main Board of the Stock Exchange respectively.

PAO Ping Wing, aged 63, appointed as Independent Non-Executive Director of the Company on 6 November 2009, received a Master of Science degree in Human Settlements Planning and Development from the Asian Institute of Technology in Bangkok, Thailand. Mr. Pao was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He was also an ex-Urban Councillor. In the past 20 years plus, he has been actively serving on government policy committees and statutory bodies, especially those of town planning, urban renewal, public housing, culture and arts and environment matters. Mr. Pao is an Hon. Fellow of The Hong Kong Institute of Housing. He is also an independent non-executive director of several other companies listed on the Stock Exchange including Oriental Press Group Limited, UDL Holdings Limited, Sing Lee Software (Group) Limited, New Environmental Energy Holdings Limited (formerly known as Hembly International Holdings Limited), Zhuzhou CSR Times Electric Co., Ltd. and Maoye International Holdings Limited.

NG Chi Keung, aged 62, appointed as Independent Non-executive Director of the Company on 18 March 2011. Mr. Ng holds a Master Degree in Business Administration and is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants. He has over 30 years of financial management experience with renowned multi-national corporations. Mr. Ng was the executive director of Fairwood Holdings Limited for 15 years until his retirement at the end of year 2009 and re-designated as non-executive director after his retirement.

Operations Review and Prospects

OVERVIEW

In 2010, there were encouraging signs of global economy recovery which stimulated the economic development in Hong Kong. Among the industries showing strong growth by the middle of the year, the real estate sector was the spearhead with a dynamic sales environment. Leveraging on the arising market opportunities, the Group launched the boutique-style luxurious residential development "WarrenWoods" in Tai Hang which recorded remarkable sales and marked new heights for the Group's real estate business. In terms of property acquisition business, the Group upheld the philosophy of meticulous overall planning for the long term and proactively acquired prime locations for redevelopment purposes.

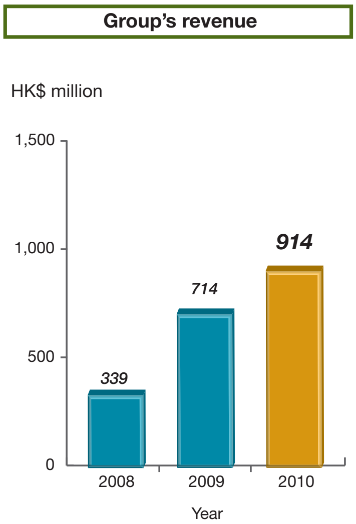
The government relaxed the restrictions on acquisition of old buildings in April last year and lowered the compulsory auction sale threshold to 80% of the ownership. The government also adopted various measures to curb the rising property prices, but the Group did not change its long-standing practice or operation and management and continued to meet the demands of the owners of the old buildings and actively provided assistance as appropriate. Committed to contributing to the sustainable development of the community, the Group strives to achieve the optimal balance between the community, commercial development and the environment, with the aim to create a better living environment for the community.

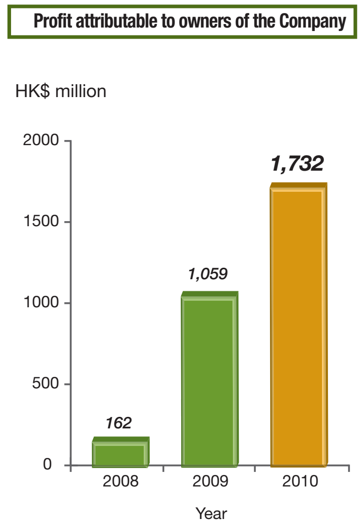
Furthermore, the retailing industry showed significant improvement in sales against the backdrop of numerous favorable factors such as positive market sentiments and the further relaxation of the individual visitor scheme by the Chinese government. The rent level of both retail properties and private residential properties went up as a result and stimulated the interests of mainland people in buying and investing in properties in Hong Kong.

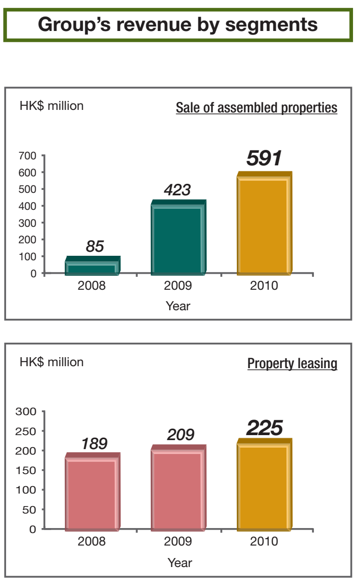
BUSINESS REVIEW

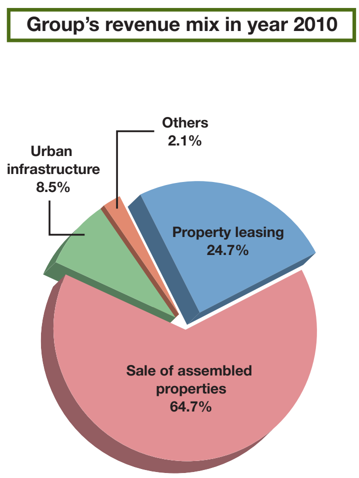
For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$913,714,000, up by 28% from the same period last year of HK$713,714,000. The increase was mainly attributable to the sizeable profits from the disposal of assembled properties during the year. In addition, mortgage interest rate remained at an exceptionally low level during the year, heating up the sentiments for the property investments, which was in turn favorable to the pricing of the "WarrenWoods" project. The gross profit of the Group increased by 26% as a result, or up from last year's HK$370,599,000 to approximately HK$467,233,000 of this year.

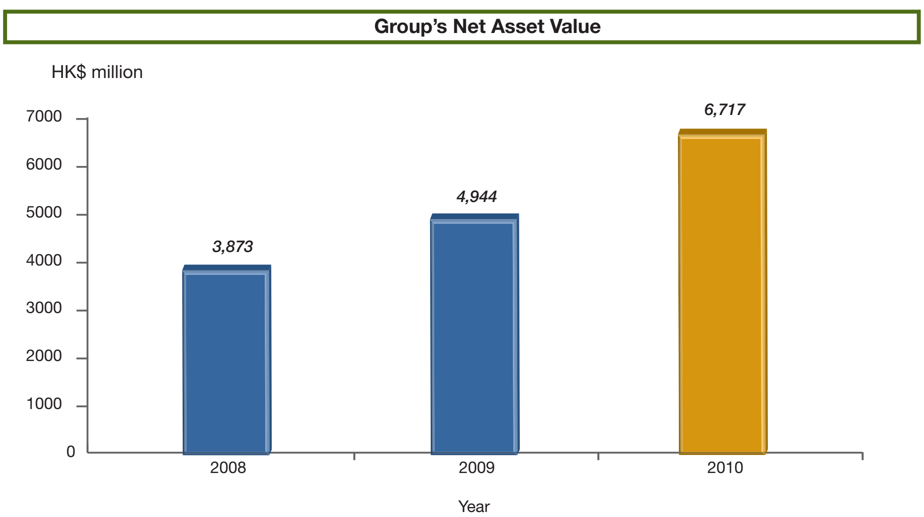
Operations Review and Prospects











Operations Review and Prospects

LAND BANK

The Group has an active presence in the acquisition of old buildings in various districts on Hong Kong Island. The Group places special values on the various urban redevelopment projects in Causeway Bay area and is committed to invigorating the community environment, enhancing the quality of buildings and auxiliary facilities, and benefiting the new and existing owners alike.

To fully capitalize on the opportunities brought forward by the growth of the Hong Kong market, the Group also resolutely undertakes operations at a number of prime locations to increase its market share, and participates in urban redevelopment projects there. Paralleled to this, the Group will also look for locations with strong potential outside Hong Kong Island and increase its land bank at a reasonable cost, meticulously evaluate its portfolio of investment properties and select projects with a strong potential for self-development, in order to enhance the Group's profit.

PROPERTY ASSEMBLY

During the year, the Group successfully disposed of a number of properties after having unified their respective ownership. Details are as follows:

- **11-13A Lin Fa Kung Street West, Tai Hang**
  The site at 11-13A Lin Fa Kung Street West, Tai Hang was disposed of at HK$98,250,000. The total site area was approximately 1,900 square feet, and the transaction was completed in January 2010, bringing forward a profit of approximately HK$7,592,000.

- **118-120 Electric Road, North Point**
  The total site area is approximately 2,100 square feet. It was originally planned for a hotel development providing approximately 99 hotel rooms. By reason of the lucrative gain, the Group elected to dispose of the site in May 2010 at HK$168,000,000. The transaction was completed in July 2010, bringing forward a profit of approximately HK$75,084,000.

- **1-11A San Wai Street, Hung Hom**
  In September 2010, the site at 1-11A San Wai Street, Hung Hom was disposed of at HK$325,000,000. The total site area is approximately 7,300 square feet. The transaction was completed in late November 2010, bringing forward a profit of approximately HK$94,718,000.

Operations Review and Prospects

Since the lowering of the compulsory auction sale threshold of old buildings from 90% to 80% by the government in April 2010, the Group has successfully unified the ownership or acquired the control of a number of projects during the year, including:

- **11-13 Sharp Street East and 1-1A Yiu Wa Street, Causeway Bay**
  The acquisition of the entire ownership of 11-13 Sharp Street East and 1-1A Yiu Wa Street was completed in November 2010. The site has a total site area of approximately 3,200 square feet, comprising a total of 23 residential units and street-level retail shops. Upon redevelopment, the site is expected to become another landmark in Causeway Bay district.

- **32-50 Haven Street, Causeway Bay**
  The acquisition of the last two units of 32-50 Haven Street, Causeway Bay was fully completed in August 2010. The total site area of the project amounted to approximately 12,900 square feet and the buildable gross floor area amounted to approximately 186,200 square feet in case of non-domestic development.

- **18-21 School Street, Tai Hang**
  The Group now holds 83% of the ownership of 18-21 School Street, Tai Hang. The entire project has a total site area of approximately 2,250 square feet. The site was zoned for R(A) residential use and can be developed into a residential property with sea view.

- **13-15 Mercury Street, North Point**
  The Group now holds 87.5% of the ownership of 13-15 Mercury Street, North Point, and has applied for compulsory auction sale of the entire site. Based on the site area of 2,580 square feet, the permitted gross floor area upon redevelopment will be about 38,640 square feet.

In the future, the Group will pertinently use its land resources and explore the best development proposals to meet the changes in the market environment, and hence to maximise the shareholders' benefit.

Operations Review and Prospects

PROPERTY LEASING

As at the year end of 31 December 2010, the Group's flagship rental property, Soundwill Plaza has a gross floor area of approximately 246,400 square feet, of which approximately 18,300 square feet were areas of retails, and approximately 228,100 square feet were of commercial. During the year, individual spending increased significantly and the number of visitors to Hong Kong continued to increase. Coupled with the preference for luxurious brands by the individual visitors from Mainland China and the intensification of inflation in Mainland China during the second half of the year, the retail industry in Hong Kong continued to prosper. Soundwill Plaza on Russell Street is located at the prime shopping area in Causeway Bay, where boosts a high pedestrian flow, and is highly sought after by retail brands. For the year, Soundwill Plaza recorded an occupancy rate of 99%, and generated one of the most steady income streams for the Group currently.

Benefited from rental increases for new leases and renewed leases, the Group's total rental income for the year increased by 8% to approximately HK$225,442,000 (2009: HK$208,642,000), accounting for 25% of the Group's income for the year. In the coming year, the Group will continue to improve its retail tenant portfolio, reinforce promotion and enhance its auxiliary facilities with the aim to provide innovative shopping experience to cater for the different needs of customers and to uphold the quality standard of a Grade A commercial building.

PROPERTY DEVELOPMENT

Since its incorporation, the Group has been committed to constructing residential projects of different types in a number of prime areas in Hong Kong, whilst striving for the quality standard of its property development business, with the objective to exemplify the importance it attaches to the living standard of the residents.

Benefited from interest rate being persistently at low level and the influx of Mainland China buyers, the property value in Hong Kong continued to rise.

Operations Review and Prospects

During the year, the Group successfully captured the best timing in launching the luxurious new residential project "WarrenWoods" at 13-27 Warren Street, Tai Hang which provides 164 residential units with different designs. The project was warmly received by the buyers upon its launch and 162 units were sold within a short period of three days' time. The remarkable performance contributed a total sales income of approximately HK$1,212,133,000 to the Group, which will be accounted for in the year 2012. Some buyers already elected to make early payment of the full purchase price in response to promotion offered by the Group. As at the end of the year, the Group received approximately HK$341,131,000, and the balance of the sales income of approximately HK$871,002,000 will be received upon delivery of the units to the buyers.

The Group is optimistic towards the strong momentum of the future property market and will continue to develop its property business. The Group further acquired 1-3 Tang Lung Street, Causeway Bay in late October 2010 through site assembling. This site will merge with the site for development at 5-29 Tang Lung Street, the total site area will reach approximately 12,500 square feet and the buildable gross floor area will reach 148,800 square feet. The site is located at a prime area and is in the vicinity of Soundwill Plaza and Times Square. It is intended to be developed into a composite development property by the Group, which is expected to be completed in 2013.

PROPERTY MANAGEMENT, E&M AND BUILDING MAINTENANCE

The four property management and maintenance subsidiaries under the Group capitalize on their extensive experience and professional service to provide quality maintenance and property management services for property facilities of large-scale commercial buildings, small to medium sized residential properties, estates and shopping malls. Over the years, the Group has emphasized on talent training and provided ample room for career development to its staff. The Group has also organized a competition for "Outstanding Property Management Staff/Quality Service Award" as a recognition for the outstanding performance of its staff, with the objective of building a strong team spirit. During the year, the four subsidiaries recorded satisfactory results of a turnover of approximately HK$19,099,000 (2009: HK$16,403,000) in aggregate, up by 16% from the last year and accounted for 2% of the Group's income for the year.

Operations Review and Prospects

BUSINESS IN MAINLAND CHINA

Urban Infrastructure Development

The Group undertakes the underground telecommunication pipelines development business and carries out telecommunication pipelines construction in a number of cities in the PRC such as Nanchang, Xi'an, Jingdezhen, Yuxi, and cooperates with the local governments in development projects and lays cable networks for information data transmission for its clients and other telecommunication and commercial purposes. The Group's urban infrastructure business has recorded stable revenue during the recent years, and has recorded a total turnover of approximately HK$77,923,000 (2009: HK$65,669,000) in 2010, accounting for 9% of the Group's income for the year. It's revenue grew by 19% as compared with the last year.

Real Estate development

As the economy continues to bloom in Mainland China, coupled with strong consumption power of its citizens, there is increasing demand for infrastructures and sustained overall increase in the people's income, quality living environment are much sought after.

Riding on the increasing market demand for quality properties, the Group has launched a number of residential projects during the year. Among these includes a low density residential project in garden style located in Qian Wu Town, Zhuhai, namely "Shan Shui Heng Yuan" which was already completed.

In addition, pre-sale was launched for our residential development "Long Feng Chun Xiao" located in Doumen, Zhuhai during the year. The first phase consists of 5 blocks of building with a total of 192 units, and 175 units of which were sold. This development is expected to be completed by about the end of 2011.

Besides, the Group also launched pre-sale of another boutique-style residence "Soundwill • LingDu" in Zhangtai county, Fujian Province in November 2010. It is a single block building with 85 residential units and 9 retail shops. The pre-sale was warmly received with 65 residential units and 5 retail shops sold within a short period of time. This development is expected to be completed by about the end of 2011.

CORPORATE CITIZEN

The Group has always strived to fulfill its social responsibilities as a corporate citizen and has committed itself to serving the community. In an effort to performing its obligations as a "Caring Company", the Group actively participates in charity fundraising and encourages its staff to participate in different charity activities and social services, with the aim to propagate the spirit of building a caring community. Moreover, the Group efforts to arouse environmental protection awareness in the office through paper recycle, separation and collection, promotion of energy saving and establishment of a sound working environment. As a good corporate citizen, the Group will continue to support charity activities and perform its social responsibilities in the future.

PROSPECTS

Since 2009, the Group has focused further on the acquisition of old buildings for urban redevelopment and has invested in the construction of properties in Tai Hang and Causeway Bay on Hong Kong Island. Pre-sale of properties developed by the Group launched during the period well captured market attention and were warmly received.

With limited land supply in the urban areas in Hong Kong, the government has promulgated a number of measures related to property development industry and is to increase the sale of government land to ensure the healthy development of the real estate market. As before, the Group will proactively expand its business scope while aligning with the guidance under the government's real estate policies and measures, and will continue old building acquisition and unification in various prime locations in the urban area. On the other hand, with their stronger value preservation potential, properties in the urban areas on Hong Kong Island have always gained the attention and favor of investors.

The concept of old district invigoration undoubtedly will continue to be a hot topic. The Group will take a more active approach in increasing its land bank and stepping up its property self-development efforts in the future, with the goal of realizing urban invigoration, enhancing the quality of community environment, and creating a more desirable living environment.

The Group carries out meticulous and multi-faceted reviews on each property development project and proactively responds to any policy changes in order to devise the most advantageous development plan to ensure the value and margin of each project. The Group also systematically devises sales strategies, leverages on market investment opportunities and capitalizes land resources so as to efficiently launch the most advantageous sales projects and property development plans to ensure the profit margin of its capital value. According to the timetable of its existing targeted acquisitions and completion of property construction, it is expected that a number of projects will reach the harvesting time in the coming two to three years, further enhancing our performance and bringing fruitful results to its shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Summary

	2010	2009
Total asset value *(HK$'000)*	**11,704,585**	8,199,048
Net assets *(HK$'000)*	**6,716,759**	4,943,767
Earnings per share *(HK$)*	**7.20**	4.42
Total borrowings *(HK$'000)*	**3,092,288**	2,103,733
Gearing ratio	**46%**	43%
Net asset value per share *(HK$)*	**27.82**	20.60

Results of Operations

For the year ended 31 December 2010, the Group has recorded a revenue of approximately HK$913,714,000 (2009: HK$713,714,000), representing an increase of about 28% over last year, which was mainly due to a substantial growth of the property assembly business and the leasing rental income in 2010. The revenue of the property assembly business recorded HK$591,250,000, representing 65% of the Group's income, substantial growth in this segment was due to the Group successfully completed the acquisitions and disposal of 3 projects during 2010 while the leasing rental income amounted to HK$225,442,000 (2009: HK$208,642,000) representing 25% of the Group's income. The Group's gross profit for the year amounted to approximately HK$467,233,000 (2009: HK$370,599,000), representing an increase of 26% as compared with last year.

Increase in administrative expenses is mainly due to the expansion of property acquisition in HK as well as property development team in HK and PRC. Share option expense of HK$8,774,000 is charged in this year as compared with HK$2,925,000 included in last year. Also, the gain on disposal of available-for-sale financial assets was generated from the disposal of residential units developed through our PRC subsidiary during the year.

Substantial increase in income tax expenses during the year is mainly due to the increase in deferred tax expense approximately HK$333,126,000 (2009: HK$156,708,000) as a result of increase in net gain on fair value adjustment on investment properties.

Profit attributable to owners of the Company

During the year, the Group has achieved a profit attributable to owners of the Company of approximately HK$1,732,080,000 (2009: HK$1,058,583,000), an increase of 64% as compared with last year. This increase was mainly due to a gain on fair value adjustments on investment properties during the year. Earnings per share was HK$7.20 (2009: HK$4.42), representing an increase of 63% over last year.

If the gain on fair value adjustments on investment properties (net of deferred tax) were to be excluded, the Group's profit for the year would be HK$290,089,000 (2009: HK$249,906,000), representing an increase of about 16% as compared with last year.

Net Assets

The total net asset of the Group as at 31 December 2010 amounted to HK$6,716,759,000 (2009: HK$4,943,767,000). This figure has taken into account the deferred tax liabilities of HK$1,156,707,000 (2009: HK$829,129,000) arising from the fair value change of the Group's investment properties in Hong Kong. Since there is currently no capital gain tax in Hong Kong, if such provision is reversed after adoption of amendment to HKAS 12, the net asset of the Group would become higher and amounting to HK$7,873,466,000 (2009: HK$5,772,896,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2010, the Group's total borrowings amounted to HK$3,092,288,000 (2009: HK$2,103,733,000). Cash and bank balances amounted to HK$217,779,000 (2009: HK$143,811,000) and net borrowings amounted to HK$2,874,509,000 (2009: HK$1,959,922,000).

The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) has been increased from 43% in 2009 to 46% in 2010. The total interest expenses for the year ended 31 December 2010 amounted to HK$28,033,000 (2009: HK$25,424,000) respresenting an increase of HK$2,609,000 as compared with last year. It is mainly due to increase in bank borrowings for acquisition of properties and slightly increase in funding cost during the year. As at 31 December 2010, the Group's borrowings were on a floating rate basis.

As at 31 December 2010, the Group's total net assets amounted to HK$6,716,759,000 (2009: HK$4,943,767,000), an increase of HK$1,772,992,000 or 36% when compared with last year. With the total number of ordinary shares in issue of 241,464,135 (2009: 240,034,135) as at 31 December 2010, the net asset value per share was HK$27.82 (2009: HK$20.60).

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

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

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

CONTINGENT LIABILITIES

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

There were contested interlocutory applications heard in 2010, and the High Court ordered six pieces of land and the houses erected thereon be vested with a *Tso T'ong* which is not a party to the legal proceedings. The appeal (CACV195/2010, CACV205/2010, CACV206/2010) was heard on 16 March 2011. The Court of Appeal has reserved judgment. The above appeal in effect relates to the issue as to whether the Group should be given extra security of another 6 houses due to the relevant defendant's breach of the joint venture agreement, which the Group would not have been so entitled if the agreement were duly performed. The Group's claims against the relevant defendants are indeed, inter alia, that if the relevant joint venture agreement were duly performed, the sale proceeds of the relevant 11, rather than 17, houses, should be used to answer the expenses incurred by the Group; and then the net profits out of the said relevant 11 houses should be shared with our Group. Hence, if the appeal is allowed, the Group would be given extra security of 6 houses, for the Group's claims. Even if the appeal is dismissed, the Group's claims still remain almost intact, which under the said joint venture agreement and on the basis that it were duly performed, would relate to 11 houses only.

The Directors having taken legal advice into account are of the opinion that it is not necessary to make any provisions for impairment against the outstanding balances due from the jointly-controlled entity as at the reporting date.

(b) Legal proceedings (by way of appeals) arising from the orders made by the Lands Tribunal (LDCS5000/2007) for compulsory sales of all units of the old buildings (now demolished) situated at 44 and 46 Haven Street are still under progress. A former owner challenges the reserve price for the auction sales. The Court of Appeal in May 2010 dismissed his appeal. The former owner further appealed to the Court of Final Appeal (FACV13/2010) and this will be heard on 13 May 2011. The former owner is to challenge the price of auction sale was too low and alleges he has been deprived of around HK$6,200,000 in his share of the proceeds of the sales as a result.

In November 2010, the Lands Tribunal varied the portion of the costs the former owner is to pay to the Group for the trial hearing before the Lands Tribunal. The former owner is ordered to bear 60% (and not 90%) of the costs of the Group. Nonetheless, the former owner is still not satisfied with this order. The Lands Tribunal refused leave for the former owner to appeal to Court of Appeal against this costs order. The former owner now applies to the Court of Appeal for leave to appeal, such application is fixed to be heard on 15 April 2011.

If the cost order is reversed against the Group and the former owner succeeds in the appeal, the Group may have to bear all costs incurred in the Lands Tribunal proceeding and top up the shortfall of the portion of the reserve price payable which amounted to about HK$2,800,000 and HK$6,200,000 respectively.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the appeal to the Court of Appeal, and resisting the appeal on costs and hence no provision was made for this legal proceeding as at reporting date.

(c) The legal proceedings resulted from the successful application by the Group to the Lands Tribunal (LDCS6000/2007) for the auction sale of all units of the old buildings (now demolished) situated at 48 and 50 Haven Street now be limited to the costs. In November 2010, the Lands Tribunal made absolute and affirmed the former owners of the one of the units of the old building to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The Court of Appeal allowed leave for the former owner to appeal against this cost order. The appeal is to be heard by the Court of Appeal on 25 November 2011 (CACV32/2011). If the costs order is reversed against the Group, the Group may have to bear certain costs of the Lands Tribunal as well as for the appeal, which may be in the region of HK$1,800,000.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the appeal to the Court of Appeal, and resisting the appeal on costs and hence no provision was made for this legal proceeding as at reporting date.

EMPLOYEES REMUNERATION

The Group had 113 employees and 280 employees in Hong Kong and Mainland China respectively as at 31 December 2010. Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the year, share options were also granted to various directors and employees on a performance related basis. Total salaries and wages incurred in 2010, if excluding share option expenses of approximately HK$8,774,000 (2009: HK$2,925,000) were approximately HK$54,898,000 (2009: HK$37,227,000).

Corporate Governance Report

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

BOARD OF DIRECTORS

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

Board Composition

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

Executive directors:

Madam Foo Kam Chu, Grace
Ms. Chan Wai Ling
Mr. Tse Chun Kong, Thomas *(resigned on 2 December 2010)*
Mr. Kong Siu Man, Kenny
Mr. Tse Wai Hang *(appointed on 23 November 2010)*

Non-executive directors:

Mr. Liang Yanfeng
Mr. Meng Qinghui

Independent non-executive directors:

Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*
Mr. Chan Kai Nang
Mr. Pao Ping Wing
Mr. Ng Chi Keung *(appointed on 18 March 2011)*

Board Meetings and Attendance

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

Directors	**Attendance**
Madam Foo Kam Chu, Grace	6/6
Ms. Chan Wai Ling	6/6
Mr. Tse Chun Kong, Thomas* *(resigned on 2 December 2010)*	6/6
Mr. Kong Siu Man, Kenny	6/6
Mr. Tse Wai Hang* *(appointed on 23 November 2010)*	0/0
Mr. Liang Yanfeng	6/6
Mr. Meng Qinghui	6/6
Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*	6/6
Mr. Chan Kai Nang	6/6
Mr. Pao Ping Wing	6/6

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

Mr. Ng Chi Keung has been appointed as Independent Non-executive Director of the Company since 18 March 2011. The relevant announcement was published on the same date.

The biographies of the directors are set out in pages 4 to 5, which demonstrate a diversity of skills, expertise, experience and qualifications.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

RESPONSIBILITIES OF DIRECTORS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

SUPPLY OF AND ACCESS TO INFORMATION

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

Mr. Kwan Kai Cheong *(Chairman)(resigned on 7 January 2011)*
Mr. Chan Kai Nang
Mr. Pao Ping Wing
Ms. Chan Wai Ling

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

Director	**Attendance**
Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*	2/2
Mr. Chan Kai Nang	2/2
Mr. Pao Ping Wing	2/2
Ms. Chan Wai Ling	2/2

Mr. Ng Chi Keung has been appointed as a member of remuneration Committee since 18 March 2011.

INTERNAL CONTROL

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

AUDIT COMMITTEE

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

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

Mr. Chan Kai Nang *(Chairman)*
Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*
Mr. Pao Ping Wing

Mr. Chan Kai Nang is senior professional accountant possess professional accountancy qualification.

Mr. Ng Chi Keung has been appointed as a member of Audit Committee since 18 March 2011.

During the year, the Audit Committee met twice. The final results for the year ended 31 December 2009 and the interim results for the six months ended 30 June 2010 have been reviewed and commented by the Audit Committee.

Director	**Attendance**
Mr. Chan Kai Nang	2/2
Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*	2/2
Mr. Pao Ping Wing	2/2

AUDITOR'S REMUNERATION

During the year, the fee incurred for audit and non-audit services for the Group are approximately HK$2,430,000 and HK$682,000 respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property assembly, property development, property leasing and provision of building management services in Hong Kong and urban infrastructure development and property development in the Mainland. Other particulars of the subsidiaries are set out in note 48 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 33 to 132.

The Board recommends a payment of a final dividend of HK$0.10 (2009: HK$0.10) per share for the year ended 31 December 2010, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be payable on or about 21 June 2011 to shareholders whose names appear on the register of members on 19 May 2011.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates are set out in notes 20, 21 and 48 to the financial statements.

BORROWINGS

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

SHARE CAPITAL

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

Report of the Directors

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 40 and 41 and in note 37 to the financial statements respectively.

SHARE OPTIONS

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

PROPERTIES/PROPERTIES UNDER DEVELOPMENT

Particulars of the major properties held by the Group and properties under development of the Group are set out on pages 133 and 134.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 135.

DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 4 to 5.

Pursuant to Bye-laws 86(2) & 87(1), Madam Foo Kam Chu, Grace, Ms. Chan Wai Ling, Mr. Tse Wai Hang, Mr. Chan Kai Nang and Mr. Ng Chi Keung, existing Directors of the Company will be retiring from office at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Mr. Kwan Kai Cheong resigned as Independent Non-executive Director of the Company on 7 January 2011. The board of Directors would like to express their gratitude to his service and contribution to the Company during his tenure.

DIRECTORS' SERVICE CONTRACTS

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

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

Report of the Directors

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

1. Directors' Interests in the Company

As at 31 December 2010, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	173,772,028 *(Note)*	71.97
	Beneficial owner	96,602	0.04

Note: The 173,772,028 shares are held by Ko Bee Limited, the entire issued share capital of which is held by Madam Foo Kam Chu, Grace.

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

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

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

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant *(HK$)*	Subscription Price per Share *(HK$)*
Foo Kam Chu, Grace	Beneficial owner	600,000	18/01/2008 to 21/07/2012	1.00	6.17
		600,000	27/04/2009 to 21/07/2012	1.00	1.76
		600,000	09/11/2010 to 21/07/2012	1.00	4.94
		600,000	12/11/2011 to 21/07/2012	1.00	8.15
Chan Wai Ling	Beneficial owner	2,000,000	18/01/2008 to 21/07/2012	1.00	6.17
		2,000,000	27/04/2009 to 21/07/2012	1.00	1.76
		2,000,000	09/11/2010 to 21/07/2012	1.00	4.94
		2,000,000	12/11/2011 to 21/07/2012	1.00	8.15
Kong Siu Man, Kenny	Beneficial owner	120,000	09/11/2010 to 21/07/2012	1.00	4.94
		250,000	12/11/2011 to 21/07/2012	1.00	8.15
Tse Wai Hang	Beneficial owner	50,000	12/11/2011 to 21/07/2012	1.00	8.15
Liang Yanfeng	Beneficial owner	90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
		90,000	27/04/2009 to 21/07/2012	1.00	1.76
Meng Qinghui	Beneficial owner	90,000	04/01/2006 to 03/01/2011	1.00	2.38
		90,000	20/05/2007 to 19/05/2012	1.00	2.52
		90,000	18/01/2008 to 21/07/2012	1.00	6.17
		90,000	27/04/2009 to 21/07/2012	1.00	1.76

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

2 . Directors' Interests in Associated Corporations

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

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and note 38 to the financial statements, at no time during the year ended 31 December 2010, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the persons other than a Director or chief executive of the Company who have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

1. Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	173,722,028	71.97

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 15% of the Group's purchases were attributable to the Group's largest supplier and approximately 47% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 4% of the Group's turnover was attributable to the Group's largest customer and approximately 13% of the Group's turnover was attributable to the Group's five largest customers.

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

CONNECTED TRANSACTIONS

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

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

CONNECTED TRANSACTIONS *(Continued)*

(1) *(Continued)*

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

(2) On 18 March 2010, Mr. Huang Xiaojun ("Purchaser") entered into an agreement with Warren Investment Properties Limited ("Vendor"), a wholly-owned subsidiary of the Company, to purchase a property of Unit 27A of "WarrenWoods" ("Property") at HK$6,535,000, a luxury residential project being developed by the Group. The Purchaser is the substantial shareholder of Zhong Xin and a director of Shan Shui Management, a company incorporated in the PRC with limited liabilities (a subsidiary indirectly held by the Company). Therefore, Zhong Xin is a connected person of the Company and the Purchaser is a connected person of the Company. As such, the purchase constituted a connected transaction and details thereof were disclosed in the announcement dated 18 March 2010 published in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 31 March 2010, indirectly wholly-owned subsidiaries of the Company entered into Leasing Agreements ("Leasing Agreements" and herein referred to as "1st Lease", "2nd Lease", "3rd Lease" and "Existing Lease") in respect of certain units of International Bank Centre, 191 Dong Feng Xi Road, Guangzhou, the PRC ("International Bank Centre") with the Landlord, 廣州廣盛置業有限公司 (Guangzhou Guangxing Land Investment Company Limited) ("Landlord"), a company incorporated in PRC with limited liabilities and controlled by the Chairman and an Executive Director of the Company.

The Existing Lease entered between Golden Relay Company Limited and the Landlord is in respect of the units 1613-1616, International Bank Centre from 1 January 2009 to 31 March 2010. The 1st Lease entered between Soundwill Real Estate (China) Limited and the Landlord is in respect of units 816-819, International Bank Centre from 1 April 2010 to 31 March 2011. The 2nd Lease entered between Soundwill (China) Limited and the Landlord is in respect of units 1613-1616, International Bank Centre from 1 April 2010 to 30 June 2010. The 3rd Lease entered between Soundwill (China) Limited and the Landlord is in respect of the units 810-811, International Bank Centre from 1 July 2010 to 30 June 2011. The Existing Lease, aggregated with 1st Lease, 2nd Lease and 3rd Lease constituted continuing connected transactions. Details thereof were disclosed in the announcement dated 31 March 2010 in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

On 25 March 2011, the Landlord and Soundwill (China) entered into a cancellation agreement ("Cancellation Agreement") to terminate the 3rd Lease and release each other from all obligations and performance of the 3rd Lease. Under the Cancellation Agreement, the Landlord and Soundwill (China) confirmed and undertook to each other they would not make any claim against each other. Details of the announcement related to the termination of continuing connected transaction were disclosed on 25 March 2011.

Each of the Independent Non-executive Directors has reviewed the continuing connected transactions conducted under the Leasing Agreements and confirms that the relevant transactions were entered into:

(1) in the ordinary and usual course of business of the Company;
(2) on normal commercial terms as supported by a valuation report issued by an independent valuer 廣州大誠房地產評估咨詢有限公司; and
(3) in accordance with the Leasing Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent auditor of the Company has confirmed to the Board that:

(1) the transactions have been approved by the Company's Board of Directors;
(2) the transactions have been entered into in accordance with the Leasing Agreements governing the transactions; and
(3) the aggregate amount have not exceeded the maximum aggregate annual value disclosed in the Company's announcement dated 31 March 2010 in respect of the disclosed continuing connected transactions.

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

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

PRE-EMPTIVE RIGHTS

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

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at 7 April 2011, the latest practicable date prior to the issue of this annual report.

AUDITOR

The financial statements in respect of the previous two financial years were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 2 December 2010, GTHK resigned and BDO was appointed as auditors of the Company effective from 2 December 2010. The financial statements for the year ended 31 December 2010 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 May 2011 to Thursday, 19 May 2011 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 13 May 2011.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 23 March 2011

Independent Auditor's Report

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

We have audited the consolidated financial statements of Soundwill Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the International BDO network of Independent member firms.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Li Wing Yin
Practising Certificate Number P05035

Hong Kong, 23 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue/Turnover	6	913,714	713,714
Cost of sales		(446,481)	(343,115)
Gross profit		467,233	370,599
Other income	6	7,045	6,865
Administrative expenses		(114,206)	(79,840)
Other operating expenses		(1,632)	(18,084)
Gain on disposal/deregistration of subsidiaries		7,520	657
Gain on disposal of associates		—	234
Net gain on fair value adjustments on investment properties	17	1,769,570	964,377
Gain on disposal of an investment property	17	1,061	—
Gain on disposal of properties held for development		—	18,317
Gain on disposal of available-for-sale financial assets		15,331	—
Profit from operations		2,151,922	1,263,125
Finance costs	8	(28,033)	(25,424)
Share of profits/(losses) of:			
— associates		—	1,299
— a jointly-controlled entity		(910)	(212)
Profit before income tax	9	2,122,979	1,238,788
Income tax expense	12	(384,129)	(185,375)
Profit for the year		1,738,850	1,053,413
Other comprehensive income	14		
Exchange differences on translation of financial statements of foreign operations		12,771	97
Amount recognised in profit or loss on disposal/ deregistration of foreign subsidiaries		(281)	(2,694)
Surplus on revaluation of leasehold building, net of deferred tax		3,948	4,045
Other comprehensive income for the year		16,438	1,448
Total comprehensive income for the year		1,755,288	1,054,861

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 *HK$'000*	2009 *HK$'000*
Profit for the year attributable to:			
Owners of the Company	*13*	**1,732,080**	1,058,583
Non-controlling interests		**6,770**	(5,170)
		1,738,850	1,053,413
Total comprehensive income attributable to:			
Owners of the Company		**1,748,436**	1,060,031
Non-controlling interests		**6,852**	(5,170)
		1,755,288	1,054,861
Earnings per share for profit attributable to owners of the Company during the year	*16*		
Basic		**HK$7.20**	HK$4.42
Diluted		**HK$7.09**	HK$4.38

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	17	**10,061,908**	7,143,620	6,083,771
Property, plant and equipment	18	**60,091**	54,431	51,178
Properties held for development	19	**47,278**	52,845	107,644
Interests in associates	21	**–**	–	113
Interest in a jointly-controlled entity	22	**44,288**	43,402	24,593
Available-for-sale financial assets	23	**10**	10	11
Intangible assets	24	**6,631**	6,772	7,230
Goodwill	25	**–**	–	–
Deposit for property development		**–**	10,511	10,461
		10,220,206	7,311,591	6,285,001
Current assets				
Inventories	26	**37,374**	37,449	32,708
Properties held for sale	27	**–**	89,102	279,480
Properties under development	28	**775,675**	489,207	278,616
Trade and other receivables	29	**163,290**	70,760	70,579
Available-for-sale financial assets	23	**–**	49,666	19,687
Deposits paid for acquisition of properties		**52,495**	7,462	19,046
Amount due from a minority shareholder		**–**	–	5,427
Bank deposit at escrow account	30	**237,766**	–	197,452
Cash and cash equivalents	31	**217,779**	143,811	131,470
		1,484,379	887,457	1,034,465
Current liabilities				
Trade and other payables	32	**233,511**	234,315	95,493
Deposit received from disposal of properties	33	**421,785**	29,475	196,709
Borrowings	34	**3,092,288**	2,103,733	2,420,391
Provision for income tax		**33,822**	15,491	19,152
		3,781,406	2,383,014	2,731,745
Net current liabilities		**(2,297,027)**	(1,495,557)	(1,697,280)

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Total assets less current liabilities		**7,923,179**	5,816,034	4,587,721
Non-current liabilities				
Deferred tax liabilities	35	**1,206,420**	872,267	714,700
Net assets		**6,716,759**	4,943,767	3,873,021
EQUITY				
Equity attributable to owners of the Company				
Share capital	36	**24,146**	24,003	23,918
Reserves	37	**6,601,615**	4,863,176	3,815,631
		6,625,761	4,887,179	3,839,549
Non-controlling interests		**90,998**	56,588	33,472
Total equity		**6,716,759**	4,943,767	3,873,021

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	20	545,000	554,242
Current assets			
Other receivables		291	292
Bank balances and cash		33	39
		324	331
Current liabilities			
Accrued expenses and other payables		355	314
		355	314
Net current (liabilities)/assets		(31)	17
Net assets		544,969	554,259
EQUITY			
Share capital	36	24,146	24,003
Reserves	37	520,823	530,256
Total equity		544,969	554,259

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Profit before income tax		**2,122,979**	1,238,788
Adjustments for:			
Share of profits of associates		**—**	(1,299)
Share of loss of a jointly-controlled entity		**910**	212
Bank interest income		**(403)**	(1,012)
Interest expenses		**28,033**	25,424
Depreciation of property, plant and equipment		**3,870**	3,326
Amortisation of properties held for development		**2,107**	2,303
Amortisation of intangible assets		**360**	515
Equity-settled share based payment expenses		**8,774**	2,925
Provision for obsolete inventories		**548**	1,437
Provision for impairment loss of trade receivables		**—**	5,322
Provision for impairment loss of other receivables		**—**	101
Write-back of provision for impairment loss of amounts due from associates		**—**	(2,728)
Bad debts written off		**—**	9
Deposits for property acquisition written off		**724**	321
Amount due from a minority shareholder written off		**—**	5,427
Reversal of provision for impairment loss of trade receivables		**(1,768)**	(32)
Reversal of provision for impairment loss of other receivables		**(1,178)**	—
Write-back of other receivables		**(1,256)**	—
Gain on disposal of property, plant and equipment		**(19)**	(46)
Property, plant and equipment written off		**417**	64
Net gain on fair value adjustments on investment properties		**(1,769,570)**	(964,377)
Provision for loss in litigation		**—**	5,032
Gain on disposal of an investment property		**(1,061)**	—
Gain on disposal of properties held for development		**—**	(18,317)
Gain on disposal of available-for-sale financial assets		**(15,331)**	—
Gain on disposal/deregistration of subsidiaries		**(7,520)**	(657)
Gain on disposal of associates		**—**	(234)
Operating profit before working capital changes		**370,616**	302,504
Increase in trade and other receivables		**(76,480)**	(13,885)
(Increase)/Decrease in deposits paid for acquisition of properties		**(45,757)**	11,263
Increase in inventories		**(673)**	(7,606)
Decrease in properties held for sale		**327,765**	181,603
Increase in properties under development		**(172,438)**	(76,890)
(Increase)/Decrease in bank deposit at escrow account		**(237,766)**	197,452
Increase in trade and other payables		**39,429**	99,592
Increase/(Decrease) in deposit received from disposal of properties		**392,310**	(167,234)
Purchase of net assets, net of cash acquired	45(a),(b),(c)	**(65,203)**	(45,749)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Net cash generated from operations		**531,803**	481,050
Interest paid		**(39,279)**	(32,642)
Income tax paid		**(29,652)**	(25,198)
Net cash generated from operating activities		**462,872**	423,210
Cash flows from investing activities			
Additions to property, plant and equipment		**(5,134)**	(1,853)
Decrease in amounts due from associates		**—**	4,371
Increase in amount due from a jointly-controlled entity		**(1,796)**	—
Proceeds from disposal of associates		**—**	3
Proceeds from disposal of property, plant and equipment		**96**	52
Proceeds from disposal of an investment property		**2,511**	—
Proceeds from disposal of properties held for development		**—**	34,026
Payment to acquire investment properties		**(1,382,646)**	(79,527)
Payment to acquire properties held for development		**(9,000)**	(6,317)
Increase in available-for-sale financial assets		**—**	(29,979)
Proceeds from disposal of available-for-sale financial assets		**—**	1
Net cash inflow/(outflow) from disposal of subsidiaries	*44*	**13,274**	(137)
Bank interest received		**403**	1,012
Net cash used in investing activities		**(1,382,292)**	(78,348)
Cash flows from financing activities			
Repayments of bank loans		**(883,212)**	(389,358)
Repayments of other loans		**(66,692)**	(96,272)
Bank loans raised		**1,805,397**	100,968
Other loans raised		**133,062**	68,004
Capital injection from minority shareholders		**21,169**	—
Proceeds from exercise of share options		**5,415**	1,454
Final dividend paid		**(24,043)**	(16,780)
Net cash generated from/(used in) financing activities		**991,096**	(331,984)
Increase in cash and cash equivalents		**71,676**	12,878
Cash and cash equivalents at 1 January		**143,811**	131,470
Effect of foreign exchange rate changes, net		**2,292**	(537)
Cash and cash equivalents at 31 December		**217,779**	143,811

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Equity attributable to owners of the Company			
	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Employee share-based equity reserve *HK$'000*
At 1 January 2010	**24,003**	**287,498**	**28,874**	**16,788**
Exercise of share options	**143**	**7,121**	**–**	**(1,849)**
Equity-settled share based payment *(note 38)*	**–**	**–**	**–**	**8,774**
Final dividend paid for 2009 *(note 15(b))*	**–**	**–**	**–**	**–**
Capital injection from minority shareholder	**–**	**–**	**–**	**–**
Disposal of subsidiaries *(note 44)*	**–**	**–**	**–**	**–**
Assets acquisition *(note 45(a))*	**–**	**–**	**–**	**–**
Transactions with owners	**143**	**7,121**	**–**	**6,925**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income				
Surplus on revaluation of leasehold building, net of deferred tax *(note 14)*	**–**	**–**	**3,948**	**–**
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**
Amount recognised in profit or loss on disposal/deregistration of foreign subsidiaries	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**3,948**	**–**
Proposed final dividend for 2010 *(note 15(a))*	**–**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**–**	**(113)**
Under-provision for final dividend for 2009	**–**	**–**	**–**	**–**
At 31 December 2010	**24,146**	**294,619**	**32,822**	**23,600**
At 1 January 2009	23,918	285,789	24,829	14,852
Exercise of share options	85	1,709	–	(340)
Equity-settled share based payment *(note 38)*	–	–	–	2,925
Final dividend paid for 2008 *(note 15(b))*	–	–	–	–
Disposal of subsidiaries *(note 44)*	–	–	–	–
Assets acquisition *(note 45(b), (c))*	–	–	–	–
Transactions with owners	85	1,709	–	2,585
Profit for the year	–	–	–	–
Other comprehensive income				
Surplus on revaluation of leasehold building, net of deferred tax *(note 14)*	–	–	4,045	–
Exchange differences on translation of financial statements of foreign operations	–	–	–	–
Amount recognised in profit or loss on disposal of foreign subsidiaries	–	–	–	–
Total comprehensive income for the year	–	–	4,045	–
Proposed final dividend for 2009 *(note 15(a))*	–	–	–	–
Lapse of share options	–	–	–	(649)
Under-provision for final dividend for 2008	–	–	–	–
At 31 December 2009	24,003	287,498	28,874	16,788

Equity attributable to owners of the Company					Non-controlling interests	Total equity
Retained profits	Exchange reserve	Special reserve	Proposed final dividend	Total		
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
4,493,081	11,064	1,848	24,023	4,887,179	56,588	4,943,767
–	–	–	–	5,415	–	5,415
–	–	–	–	8,774	–	8,774
–	–	–	(24,043)	(24,043)	–	(24,043)
–	–	–	–	–	21,169	21,169
–	–	–	–	–	(5,116)	(5,116)
–	–	–	–	–	11,505	11,505
–	–	–	(24,043)	(9,854)	27,558	17,704
1,732,080	–	–	–	1,732,080	6,770	1,738,850
–	–	–	–	3,948	–	3,948
–	12,689	–	–	12,689	82	12,771
–	(281)	–	–	(281)	–	(281)
1,732,080	12,408	–	–	1,748,436	6,852	1,755,288
(24,156)	–	–	24,156	–	–	–
113	–	–	–	–	–	–
(20)	–	–	20	–	–	–
6,201,098	23,472	1,848	24,156	6,625,761	90,998	6,716,759
3,457,905	13,661	1,848	16,747	3,839,549	33,472	3,873,021
–	–	–	–	1,454	–	1,454
–	–	–	–	2,925	–	2,925
–	–	–	(16,780)	(16,780)	–	(16,780)
–	–	–	–	–	(216)	(216)
–	–	–	–	–	28,502	28,502
–	–	–	(16,780)	(12,401)	28,286	15,885
1,058,583	–	–	–	1,058,583	(5,170)	1,053,413
–	–	–	–	4,045	–	4,045
–	97	–	–	97	–	97
–	(2,694)	–	–	(2,694)	–	(2,694)
1,058,583	(2,597)	–	–	1,060,031	(5,170)	1,054,861
(24,023)	–	–	24,023	–	–	–
649	–	–	–	–	–	–
(33)	–	–	33	–	–	–
4,493,081	11,064	1,848	24,023	4,887,179	56,588	4,943,767

Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 48 to the financial statements.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of revised/amended HKFRSs — effective 1 January 2010

In the current year, the Company and its subsidiaries (the "Group") have applied for the first time the following revision and amendment to standards and interpretations ("revised/amended HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except for as explained below, the adoption of these revised/amended HKFRSs has no significant impact on the consolidated financial statements of the Group.

2. ADOPTION OF HKFRSs *(Continued)*

2.1 Adoption of revised/amended HKFRSs — effective 1 January 2010 *(Continued)*

HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in note 4.1 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year and the new accounting policy is applied prospectively according to the transitional provisions in HKFRS 3 (revised).

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the revised HKAS 27 has had no impact on the current year as the Group did not have these transactions during the year and the new accounting policies are applied prospectively according to the transitional provisions in the amendment.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

2. ADOPTION OF HKFRSs *(Continued)*

2.1 Adoption of revised/amended HKFRSs — effective 1 January 2010 *(Continued)*

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause *(Continued)*

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Company had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

The adoption of this interpretation results in net current liabilities of HK$2,297,027,000 as at 31 December 2010 (2009: HK$1,495,557,000). Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The Directors believe that such terms loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease and to present leasehold land as operating lease prepayments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

2. ADOPTION OF HKFRSs *(Continued)*

2.1 Adoption of revised/amended HKFRSs — effective 1 January 2010 *(Continued)*

***HKAS 17 (Amendments) — Leases** (Continued)*

The Group has reassessed the classification of the unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of that lease according to transitional provision in the amendment, and has reclassified the land element of its leasehold building in Hong Kong from operating lease prepayment to property, plant and equipment. The corresponding amortisation has also been reclassified to depreciation.

The above amendments had no impact on the Group's retained earnings and current year's results and the effect of the above changes are summarised as follows:

	2010	2009
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income for the year ended 31 December		
Decrease in amortisation of operating lease prepayments	**(14)**	(14)
Increase in depreciation of property, plant and equipment	**14**	14

	31 December 2010	31 December 2009	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Decrease in operating lease prepayment, net	**(11,495)**	(11,509)	(11,523)
Increase in property, plant and equipment, net	**11,495**	11,509	11,523
Increase in current portion of borrowings	**2,134,731**	1,704,269	1,712,950
Decrease in non-current portion of borrowings	**(2,134,731)**	(1,704,269)	(1,712,950)

2. ADOPTION OF HKFRSs *(Continued)*

2.1 Adoption of revised/amended HKFRSs — effective 1 January 2010 *(Continued)*

As a result of the above retrospective reclassification and restatement, an additional consolidated statement of financial position as at 1 January 2009 is presented in accordance with HKAS 1 Presentation of Financial Statements.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2&3]
Amendments to HKAS 32	Classification of Rights Issues[1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[4]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

2. ADOPTION OF HKFRSs *(Continued)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The HKICPA amended HKAS 12 Income Taxes to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The effective date for the amendment is annual periods beginning on or after 1 January 2012. The Group does not early adopt this amendment as permitted.

2. ADOPTION OF HKFRSs *(Continued)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

As at 31 December 2010, the Group had investment properties amounting to HK$10,062,000,000 (31 December 2009: HK$7,144,000,000), representing their fair values in accordance with the Group's accounting policy. All of the Group's investment properties are situated in Hong Kong. In Hong Kong, land leases can typically be renewed without a payment of a market-based premium which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment property over time. Consequently, as required by the amendment, the Group can re-measure the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. There is no tax consequence in Hong Kong of a sale of the investment property as there is currently no capital gain tax in Hong Kong. If the Group adopts this amendment, it will result in reversal of the Group's deferred tax liabilities arising from the fair value change of the Group's investment properties, with a consequential increase in the profit after tax attributable to the owners of the Company.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the Directors so far concluded that the application of other new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements on pages 33 to 132 have been prepared in accordance with the HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the investment properties and leasehold building which are measured at fair value. The measurement bases are fully described in the accounting policies below.

3. BASIS OF PREPARATION *(Continued)*

3.2 Basis of measurement *(Continued)*

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

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

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

4.1 Basis of consolidation *(Continued)*

Business combination and changes in the Group's interests in subsidiaries on or after 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

4.1 Basis of consolidation *(Continued)*

Business combination and changes in the Group's interests in subsidiaries on or after 1 January 2010 *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination and changes in the Group's interests in subsidiaries prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

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

4.1 Basis of consolidation *(Continued)*

Business combination and changes in the Group's interests in subsidiaries prior to 1 January 2010 *(Continued)*

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.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

4.2 Subsidiaries

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

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

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognised.

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

4.3 Jointly-controlled entity

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

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

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

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

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

4.3 Jointly-controlled entity *(Continued)*

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

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

4.4 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of subsidiary. Accounting for goodwill arising on acquisition of jointly controlled entity is set out in note 4.3.

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for any non-controlling interest in the acquiree over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Where the fair value of the identifiable assets, liabilities and contingent liabilities exceed the aggregate of the fair value of consideration paid and the amount recognised for any non-controlling interests, the excess is recognised immediately in profit or loss on the acquisition date.

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

4.4 Goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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

On subsequent disposal of a subsidiary or cash-generating unit, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

4.5 Investment properties

Investment properties are properties held either to earn rental income and/or for capital appreciation (including properties under construction for such purposes), but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties are measured at cost, including transaction cost, on initial recognition. Subsequent to initial recognition, investment properties are measured at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the properties) is recognised in profit or loss.

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

4.6 Property, plant and equipment

The leasehold building, held for own use, is stated at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

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 value at the end of the reporting period.

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

Other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

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

Leasehold land	Over the lease period
Leasehold building	2%
Leasehold improvements	30%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	6% — 15%

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

4.6 Property, plant and equipment *(Continued)*

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss. Any relevant revaluation surplus remaining in equity is transferred to retained profits on the disposal of leasehold building.

4.7 Intangible assets (other than goodwill)

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

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

4.8 Properties held for development

Properties held for development representing operating lease prepayment on leasehold land and any directly attributable expenditure, with the intention for holding for long-term purposes or no decision has yet been made on their future use are included in the statement of financial position as non-current assets. Since the fair value of properties held for development cannot be reliably determined, these investment properties are measured at cost, less accumulated amortisation and impairment losses. The amortisation policy for operating lease prepayment is disclosed in note 4.10 to the financial statements.

4.9 Impairment of other non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of properties held for development to determine whether there is any indication that they have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Investments in subsidiaries and a jointly-controlled entity;
- Property, plant and equipment; and
- Properties held for development.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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

4.10 Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor under operating lease

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

The Group as lessee under operating lease

The total rentals payable under operating leases are recognised in profit or loss on a straight line basis over the term of the relevant lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.11 Financial instruments

(i) Financial assets

The Group's classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus directly attributable transaction costs. Regular way purchases and sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

4.11 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are either designated to as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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

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

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

4.11 Financial instruments *(Continued)*

(ii) Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

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

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

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

4.11 Financial instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Loans and receivables (Continued)

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Cash and cash equivalents

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

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

4.11 Financial instruments *(Continued)*

(iv) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are measured at amortised cost, using the effective interest method. The related interest is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.15).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified 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 is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of a guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised as investment in subsidiaries on initial recognition of any deferred income.

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

4.11 Financial instruments *(Continued)*

(vii) Financial guarantee contract *(Continued)*

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

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39. When an available-for-sale financial asset is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.12 Inventories

Inventories are initially recognised at cost, and subsequently carried at the lower of cost and net realisable value.

Urban infrastructure underground pipelines

Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Properties under development

The cost of properties under development for sale comprises the acquisition cost of land, development expenditure, other direct expenses and capitalised borrowing costs (see note 4.15).

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

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

4.12 Inventories *(Continued)*

Properties held for sale

Properties held for sale are initially recognised at cost, and subsequently carried at the lower of cost and net realisable value. Cost comprises the acquisition cost of the properties and directly attributable development costs. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.13 Revenue recognition

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

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

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

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

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

Interest income is recognised on a time basis on the principal outstanding at the effective interest rate.

4.14 Foreign currency

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

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

4.14 Foreign currency *(Continued)*

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

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

4.15 Borrowing costs

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

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

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

4.16 Income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

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

4.16 Income taxes *(Continued)*

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

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

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

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

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

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

(i) the same taxable entity; or

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

4.17 Employee benefits

(i) Defined contribution retirement plans

Retirement benefits to employees are provided through defined contribution plans.

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

The employees of the Group's subsidiaries which operate in the People's Republic of China, except Hong Kong (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

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

4.17 Employee benefits *(Continued)*

(i) Defined contribution retirement plans *(Continued)*

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

(ii) Short-term employee benefits

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

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

(iii) Share-based employee compensation

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

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

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

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

4.18 Provisions and contingent liabilities

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

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

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

4.19 Related parties

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

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

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

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

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

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

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

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

4.19 Related parties *(Continued)*

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.

4.20 Segment reporting

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

The Group has identified the following reportable segments:

Property assembly business	:	Properties assembly and sales of properties
Property development	:	Development of residential and commercial properties
Property leasing	:	Property rental including signage rental and provision of office facilities and services
Building management and other services	:	Provision of building management, property repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Each of these operating segments is managed separately as each of the business lines requires different resources as well as operating approaches.

The reporting segment results exclude the gain on disposal/deregistration of subsidiaries, gain on disposal of associates, finance costs, share of results of associates and jointly controlled entity, write-back of provision for impairment loss of amounts due from associates, net gain on fair value adjustments on investment properties, gain on disposal of investment properties, gain on disposal of properties held for development, income taxes and unallocated income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

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

4.20 Segment reporting *(Continued)*

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated fair value of investment properties

As at reporting date, the Group's investment properties are stated at fair value based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuers have based on market value existing use and redevelopment basis which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential and redevelopment potential. In determining the redevelopment value of an investment property, the management is of the opinion that it is probable that the Group is able to acquire a few outstanding properties to carry out the redevelopment plan. In rely on the valuation, management has exercised their judgement and is satisfied that the methods of valuation are reflective of the current market conditions.

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

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

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

(iii) Net realisable value of inventories

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

(iv) Impairment of trade receivables

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

(v) Income taxes

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

6. REVENUE/TURNOVER AND OTHER INCOME

Turnover of the Group is the revenue from its principal activities. An analysis of the Group's revenue and other income is as follows:

	2010 HK$'000	2009 HK$'000
Revenue/Turnover represents:		
Property Assembly:		
— Sales of properties	591,250	423,000
Property leasing:		
— Rental Income	203,753	186,196
— Signage rental	18,950	18,284
— Office facilities and service	2,739	4,162
Building management and other services:		
— Property repairs and maintenance service income	12,053	9,756
— Building service income	7,046	6,647
Urban infrastructure:		
— Revenue from urban infrastructure construction works	77,923	65,669
	913,714	713,714
Other income:		
Bank interest income	403	1,012
Reversal of provision for impairment loss of trade receivables *(note 29)*	1,768	32
Reversal of provision for impairment loss of other receivables *(note 29)*	1,178	—
Write-back of other receivables	1,256	—
Write-back of provision for impairment loss of amounts due from associates	—	2,728
Gain on disposal of property, plant and equipment	19	46
Miscellaneous income	2,421	3,047
	7,045	6,865
Total revenue and other income	920,759	720,579

7. SEGMENT INFORMATION

The executive directors have identified the Group's five business lines as operating segments as further described in note 4.20.

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

	Property assembly business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)								(Restated)
Revenue														
External customers	**591,250**	423,000	**–**	–	**225,442**	208,642	**19,099**	16,403	**77,923**	65,669	**–**	–	**913,714**	713,714
Inter-segments	**–**	76,397	**94,712**	34,901	**16,078**	7,821	**–**	983	**–**	4,174	**19,579**	900	**130,369**	125,176
Reportable segment revenue	**591,250**	499,397	**94,712**	34,901	**241,520**	216,463	**19,099**	17,386	**77,923**	69,843	**19,579**	900	**1,044,083**	838,890
Reportable segment profit/(loss)	**183,530**	125,457	**(36,455)**	(4,751)	**180,520**	158,276	**7,999**	7,997	**21,514**	(8,053)	**20,019**	2,329	**377,127**	281,255
Bank interest income	**1**	51	**97**	24	**7**	75	**–**	–	**294**	861	**4**	1	**403**	1,012
Depreciation	**–**	–	**(586)**	(187)	**(2,356)**	(2,447)	**(4)**	(4)	**(236)**	(177)	**(688)**	(511)	**(3,870)**	(3,326)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**(360)**	(515)	**–**	–	**(360)**	(515)
Amortisation of properties held for development	**–**	–	**(2,107)**	(2,303)	**–**	–	**–**	–	**–**	–	**–**	–	**(2,107)**	(2,303)
Provision for obsolete inventories	**–**	–	**–**	–	**–**	–	**–**	–	**(548)**	(1,437)	**–**	–	**(548)**	(1,437)
Amount due from a minority shareholder written off	**–**	–	**–**	(5,427)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(5,427)
Provision for loss on litigation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(5,032)	**–**	–	**–**	(5,032)
Reportable segment assets	**33**	81,948	**1,276,340**	604,031	**10,211,704**	7,226,545	**6,395**	6,869	**154,957**	174,849	**10,858**	11,728	**11,660,287**	8,105,970
Additions to non-current segment assets during the year	**–**	–	**22,347**	6,349	**1,383,527**	81,038	**–**	–	**376**	212	**1,041**	98	**1,407,291**	87,697
Reportable segment liabilities	**–**	(29,603)	**(525,095)**	(104,350)	**(61,936)**	(62,993)	**(14,158)**	(13,261)	**(48,202)**	(49,175)	**(5,905)**	(4,408)	**(655,296)**	(263,790)

7. SEGMENT INFORMATION *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Reportable segment revenue	1,044,083	838,890
Elimination of intersegment revenue	(130,369)	(125,176)
Revenue	913,714	713,714
Reportable segment profits	377,127	281,255
Net gain on fair value adjustments on investment properties	1,769,570	964,377
Gain on disposal of an investment property	1,061	—
Gain on disposal of properties held for development	—	18,317
Unallocated income and expenses	(18,687)	(4,443)
Gain on disposal/deregistration of subsidiaries	7,520	657
Gain on disposal of associates	—	234
Gain on disposal of available-for-sale financial assets	15,331	—
Finance costs	(28,033)	(25,424)
Share of profits of associates	—	1,299
Share of loss of a jointly-controlled entity	(910)	(212)
Write-back of provision for impairment loss of amounts due from associates	—	2,728
Profit before income tax	2,122,979	1,238,788
Reportable segment assets	11,660,287	8,105,970
Interest in a jointly-controlled entity	44,288	43,402
Available-for-sale financial assets	10	49,676
Group assets	11,704,585	8,199,048
Reportable segment liabilities	655,296	263,790
Borrowings	3,092,288	2,103,733
Provision for income tax	33,822	15,491
Deferred tax liabilities	1,206,420	872,267
Group liabilities	4,987,826	3,255,281

7. SEGMENT INFORMATION *(Continued)*

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

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
Hong Kong (domicile)	**835,791**	648,045	**10,193,316**	7,275,879
PRC	**77,923**	65,669	**26,880**	35,702
	913,714	713,714	**10,220,196**	7,311,581

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

For the years ended 31 December 2010 and 2009, the Group did not depend on any single customers under each of the segments.

8. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
— wholly repayable within five years	**29,597**	27,474
— not wholly repayable within five years	**7,485**	5,978
Other borrowings — wholly repayable within five years	**2,197**	232
Total borrowing costs	**39,279**	33,684
Less: Interest capitalised in investment properties and properties under development *(notes 17 and 28)**	**(11,246)**	(8,260)
	28,033	25,424

* The borrowing costs have been capitalised at rates ranging from 1.55% to 1.87% (2009: 1.55% to 2.15%) per annum.

8. FINANCE COSTS *(Continued)*

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2010 and 2009, the interest on bank loans which contain a repayment on demand clause amounted to HK$7,485,000 and HK$5,978,000 respectively.

9. PROFIT BEFORE INCOME TAX

	2010 *HK$'000*	2009 *HK$'000* (Restated)
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets*	360	515
Amortisation of deferred expenses*	–	21
Auditors' remuneration	2,430	1,699
Amortisation of properties held for development	2,107	2,303
Depreciation of property, plant and equipment	3,870	3,326
Cost of inventories recognised as expense	44,366	49,570
Cost of properties held for sale recognised as expense	384,330	270,732
Operating lease charges in respect of premises	3,454	2,696
Provision for obsolete inventories*	548	1,437
Provision for impairment loss of trade receivables*	–	5,322
Provision for impairment loss of other receivables	–	101
Provision for loss in litigation *(note 32)**	–	5,032
Amount due from a minority shareholder written off*	–	5,427
Bad debts written off*	–	9
Deposits for property acquisition written off*	724	321
Property, plant and equipment written off	417	64
Employee benefit expense *(note 11)*	63,672	40,152
And crediting:		
Gross rental income from investment properties	(203,753)	(186,196)
Less: Outgoings	3,706	3,913
	(200,047)	(182,283)
Other rental income less outgoings from other properties	(1,718)	(4,029)
	(201,765)	(186,312)

* included in other operating expenses

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee	Salaries and allowances	Retirement benefits scheme contributions	Equity-settled share based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010					
Executive directors					
Ms. Foo Kam Chu, Grace	–	2,710	12	978	3,700
Ms. Chan Wai Ling	–	2,660	12	3,261	5,933
Mr. Tse Chun Kong, Thomas***	–	1,531	12	125	1,668
Mr. Kong Siu Man, Kenny	–	2,114	12	226	2,352
Mr. Tse Wai Hang###	–	335	2	12	349
Non-executive directors					
Mr. Liang Yanfeng	–	–	–	–	–
Mr. Meng Qinghui	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Kai Nang	80	–	–	–	80
Mr. Kwan Kai Cheong^	70	–	–	–	70
Mr. Pao Ping Wing	72	–	–	–	72
	222	9,350	50	4,602	14,224

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

(a) Directors' emoluments *(Continued)*

	Fee	Salaries and allowances	Retirement benefits scheme contributions	Equity-settled share based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2009					
Executive directors					
Ms. Foo Kam Chu, Grace	–	2,585	12	305	2,902
Ms. Chan Wai Ling	–	1,866	12	1,017	2,895
Mr. Tse Chun Kong, Thomas	–	1,713	12	46	1,771
Mr. Kwan Chai Ming*	–	611	5	41	657
Mr. Kong Siu Man, Kenny#	–	340	2	29	371
Non-executive directors					
Mr. Liang Yanfeng	–	–	–	24	24
Mr. Meng Qinghui	–	–	–	24	24
Independent non-executive directors					
Mr. Chan Kai Nang##	45	–	–	–	45
Mr. Kwan Kai Cheong	70	–	–	–	70
Ms. Ho Suk Yin**	66	–	–	–	66
Mr. Pao Ping Wing#	–	–	–	–	–
	181	7,115	43	1,486	8,825

* resigned on 1 June 2009

** resigned on 6 November 2009

*** resigned on 2 December 2010

appointed on 6 November 2009

appointed on 11 March 2009

appointed on 23 November 2010

^ resigned on 7 January 2011

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

(a) Directors' emoluments *(Continued)*

The value of share options granted to Directors is measured according to the Group's accounting policy for share-based compensation set out in note 4.17(iii). The details of these benefits in kind including the principal terms and number of options granted are disclosed in note 38.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2009: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two (2009: two) individuals during the year are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Basic salaries and other benefits	3,003	2,340
Pension costs — defined contribution plan	24	24
Equity-settled share based payment	3,913	1,221
	6,940	3,585

The emoluments of the remaining two (2009: two) individuals fell within the following bands:

	Number of individuals	
	2010	2009
HK$1,000,000 — HK$1,500,000	—	1
HK$1,500,001 — HK$2,000,000	1	—
HK$2,000,001 — HK$2,500,000	—	1
HK$2,500,001 — HK$3,000,000	—	—
HK$3,000,001 — HK$3,500,000	—	—
HK$3,500,001 — HK$4,000,000	—	—
HK$4,000,001 — HK$4,500,000	—	—
HK$4,500,001 — HK$5,000,000	1	—

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

No emoluments were paid by the Group to the Directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during each of the two years ended 31 December 2010 and 2009.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 *HK$'000*	2009 *HK$'000*
Salaries and wages (including directors' remuneration)	51,695	35,231
Equity-settled share based payment	8,774	2,925
Pension costs — defined contribution plans	2,300	1,486
Staff welfare	903	510
	63,672	40,152

12. INCOME TAX EXPENSE

	2010 *HK$'000*	2009 *HK$'000*
Hong Kong profits tax		
Tax for the year *(note (a))*	46,779	30,281
Overprovision in prior years	(607)	(3,579)
	46,172	26,702
PRC tax — Tax for the year *(note (b))*	4,831	1,965
	51,003	28,667
Deferred tax *(note 35)*		
Current year	333,126	156,708
	384,129	185,375

12. INCOME TAX EXPENSE *(Continued)*

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit arising in Hong Kong for the year.

(b) The Group's certain subsidiaries established and operating in the PRC are exempted from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years ("Tax Holiday"). Remaining subsidiaries operating in the PRC are subject to PRC enterprise income tax rate of 25%.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax	**2,122,979**	1,238,788
Tax at the applicable tax rates	**351,343**	185,981
Tax effect of non-deductible expenses	**7,304**	13,111
Tax effect of non-taxable income	**(4,631)**	(8,282)
Tax effect of temporary differences not recognised	**26,593**	772
Tax effect of tax losses not recognised	**5,039**	5,290
Utilisation of previously unrecognised tax losses	**(919)**	(7,918)
Over provision in prior years	**(607)**	(3,579)
Others	**7**	—
Income tax expense	**384,129**	185,375

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$1,732,080,000 (2009: HK$1,058,583,000), a profit of HK$564,000 (2009: HK$4,598,000) has been dealt with in the financial statements of the Company.

14. OTHER COMPREHENSIVE INCOME

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

	2010			2009		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of foreign operations	12,771	–	12,771	97	–	97
Amount recognised in profit or loss on disposal/deregistration of foreign subsidiaries	(281)	–	(281)	(2,694)	–	(2,694)
Surplus on revaluation of leasehold building *(notes 18, 35)*	4,728	(780)	3,948	4,844	(799)	4,045
Other comprehensive income	17,218	(780)	16,438	2,247	(799)	1,448

15. DIVIDENDS

(a) Dividend attributable to the year

	2010 HK$'000	2009 HK$'000
Proposed final dividend of HK$0.1 (2009: HK$0.1) per share	24,156	24,023

Final dividend of HK$0.1 (2009: HK$0.1) per share for the year to shareholders whose names appear on the register of members on 19 May 2011 (the "Record Date") was proposed by the Directors on 23 March 2011.

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

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

	2010 HK$'000	2009 HK$'000
Final dividend in respect of the previous financial year, of HK$0.1 (2009: HK$0.07) per share	24,043	16,780

16. EARNINGS PER SHARE

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

	2010 HK$'000	2009 HK$'000
Earnings		
Profit attributable to owners of the Company	1,732,080	1,058,583

16. EARNINGS PER SHARE *(Continued)*

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**240,473,178**	239,687,257
Effect of dilutive potential ordinary shares in respect of employee share options	**3,826,036**	1,955,144
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**244,299,214**	241,642,401

17. INVESTMENT PROPERTIES

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

Group	**2010**	2009
	HK$'000	*HK$'000*
Carrying amount at 1 January	**7,143,620**	6,083,771
Additions	**1,382,646**	79,527
Disposal	**(1,450)**	—
Net transfer (to)/from properties held for sale *(note 27)*	**(238,663)**	8,775
Net gain on fair value adjustments	**1,769,570**	964,377
Interest capitalised in investment properties under construction *(note 8)*	**6,185**	7,170
Carrying amount at 31 December	**10,061,908**	7,143,620

For the year ended 31 December 2010, a subsidiary of the Company disposed of its investment property with carrying value of HK$1,450,000 at a consideration of HK$2,520,000, resulting in a gain of HK$1,061,000 after taking into account of selling and directly attributable expenses.

17. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties were revalued at 31 December 2010 by an independent, professionally qualified valuer, B. I. Appraisals Limited, on the following basis:

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

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

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

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

	2010	2009
	HK$'000	*HK$'000*
Held on leases over 50 years	**9,970,438**	7,110,790
Held on leases from 10 to 50 years	**91,470**	32,830
	10,061,908	7,143,620

As at 31 December 2010, certain investment properties of the Group with total carrying amount of HK$9,431,280,000 (2009: HK$6,898,290,000) were pledged to secure certain bank loans of HK$2,822,944,000 (2009: HK$1,895,733,000) (note 34).

All of the Group's investment properties for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land HK$'000 (Restated)	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
At 1 January 2009						
Cost/Valuation	11,687	32,200	13,648	6,758	3,198	67,491
Accumulated depreciation	(164)	–	(10,285)	(4,430)	(1,434)	(16,313)
Net carrying amount	11,523	32,200	3,363	2,328	1,764	51,178
Analysis of cost/valuation						
At cost	11,523	–	3,363	2,328	1,764	18,978
At professional valuation	–	32,200	–	–	–	32,200
	11,523	32,200	3,363	2,328	1,764	51,178
Year ended 31 December 2009						
Opening net carrying amount	11,523	32,200	3,363	2,328	1,764	51,178
Additions	–	–	1,421	232	200	1,853
Surplus on revaluation	–	4,844	–	–	–	4,844
Disposals	–	–	–	(6)	–	(6)
Disposals of subsidiaries	–	–	–	–	(55)	(55)
Write-off	–	–	(38)	(15)	(11)	(64)
Depreciation	(14)	(644)	(1,673)	(574)	(421)	(3,326)
Exchange realignment	–	–	–	5	2	7
Closing net carrying amount	11,509	36,400	3,073	1,970	1,479	54,431
At 31 December 2009						
Cost/Valuation	11,687	36,400	13,075	5,367	2,899	69,428
Accumulated depreciation	(178)	–	(10,002)	(3,397)	(1,420)	(14,997)
Net carrying amount	11,509	36,400	3,073	1,970	1,479	54,431
Analysis of cost/valuation						
At cost	11,509	–	3,073	1,970	1,479	18,031
At professional valuation	–	36,400	–	–	–	36,400
	11,509	36,400	3,073	1,970	1,479	54,431

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

Group *(Continued)*

	Leasehold land *HK$'000*	Leasehold building *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2010						
Opening net carrying amount	11,509	36,400	3,073	1,970	1,479	54,431
Additions	–	–	1,350	2,018	1,766	5,134
Surplus on revaluation	–	4,728	–	–	–	4,728
Disposals	–	–	–	(12)	(65)	(77)
Write-off	–	–	(378)	(39)	–	(417)
Disposal of subsidiaries	–	–	–	(9)	–	(9)
Depreciation	(14)	(728)	(1,665)	(978)	(485)	(3,870)
Exchange realignment	–	–	19	38	114	171
Closing net carrying amount	11,495	40,400	2,399	2,988	2,809	60,091
At 31 December 2010						
Cost/Valuation	11,687	40,400	13,163	7,080	4,791	77,121
Accumulated depreciation	(192)	–	(10,764)	(4,092)	(1,982)	(17,030)
Net carrying amount	11,495	40,400	2,399	2,988	2,809	60,091
Analysis of cost/valuation						
At cost	11,495	–	2,399	2,988	2,809	19,691
At professional valuation	–	40,400	–	–	–	40,400
	11,495	40,400	2,399	2,988	2,809	60,091

At 31 December 2010, the Group's leasehold building held on leases over 50 years in Hong Kong is stated at valuation of HK$40,400,000 (2009: HK$36,400,000). The Group's leasehold building was valued by B. I. Appraisals Limited on an open market value basis by reference to the price information of comparable properties. A revaluation surplus of approximately HK$4,728,000 (2009: HK$4,844,000) had been credited to asset revaluation reserve.

As at 31 December 2010, leasehold building of the Group with carrying amount of HK$40,400,000 (2009: HK$36,400,000) was pledged to secure certain bank loans of the Group (note 34).

Had the leasehold building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2010 would have been approximately HK$5,754,000 (2009: HK$5,914,000).

19. PROPERTIES HELD FOR DEVELOPMENT

Group

	2010 *HK$'000*	2009 *HK$'000*
Year ended 31 December		
Opening net carrying amount	52,845	107,644
Additions	9,000	6,317
Transfer from deposit for property development	10,511	—
Disposals of subsidiaries *(note 44)*	(5,278)	—
Disposals	—	(15,709)
Amortisation	(2,107)	(2,303)
Net transfer to properties under development *(note 28)*	(18,291)	(43,558)
Exchange realignment	598	454
Closing net carrying amount	47,278	52,845
As at 31 December		
Cost	55,374	61,052
Accumulated amortisation	(8,096)	(8,207)
Net carrying amount	47,278	52,845
Analysis of lease terms:		
— In Hong Kong held on leases between 10 to 50 years	30,938	36,238
— In the PRC held on leases between 10 to 50 years	16,340	16,607
Net carrying amount	47,278	52,845

20. INTERESTS IN SUBSIDIARIES

Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	2,318,856	2,318,856
Less: Provision for impairment loss	(1,773,856)	(1,773,856)
	545,000	545,000
Amounts due from subsidiaries	1,471,575	1,486,929
Less: Provision for impairment loss	(1,471,575)	(1,477,687)
	–	9,242
	545,000	554,242

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

Details of principal subsidiaries are set out in note 48 to the financial statements.

21. INTERESTS IN ASSOCIATES

Group

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	–	3
Share of post-acquisition results	–	1,409
	–	1,412
Less: Disposals	–	(1,412)
	–	–

The associates were disposed of during the year ended 31 December 2009.

22. INTEREST IN A JOINTLY-CONTROLLED ENTITY

Group

	2010	2009
	HK$'000	HK$'000
Unlisted share, at cost	1	1
Share of post-acquisition results	(1,203)	(293)
	(1,202)	(292)
Amount due from a jointly-controlled entity	45,490	43,694
	44,288	43,402

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

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

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

Group *(Continued)*

There were contested interlocutory applications heard during 2010, and the High Court ordered six pieces of land and the houses erected thereon be vested with a Tso T'ong which is not a party to the legal proceedings. The appeal (CACV195/2010, CACV205/2010, CACV206/2010) was heard on 16 March 2011. The Court of Appeal has reserved judgement. The above appeal in effect relates to the issue as to whether the Group should be given extra security of another 6 houses due to the relevant defendant's breach of the JV Agreement, which the Group would not have been so entitled if the JV Agreement were duly performed. The Group's claims against the relevant JV Partner are that if the JV Agreement were duly performed, the sale proceeds of the relevant 11, rather than 17 houses, should be used to answer the expenses incurred by the Group and then the net profits out of the said relevant 11 houses should be shared with the Group. Hence, if the appeal is allowed, the Group would be given extra security of 6 houses for the Group's claims. Even if the appeal is dismissed, the Group's claims still remain intact, which under the JV Agreement and on the basis that it were duly performed, would relate to the said 11 houses only. Having taken into account of the legal advice, the Directors are of the opinion that it is not necessary to make any provision for impairment against the outstanding balance as at the reporting date.

Particulars of the jointly-controlled entity at 31 December 2010 are as follows:

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

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

Group *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Share of assets and liabilities attributable to the Group		
Current assets	21,554	21,554
Current liabilities	(22,757)	(21,847)
Net liabilities	(1,203)	(293)
Share of results attributable to the Group		
Revenue	–	–
Administrative expenses	(910)	(212)
Loss for the year	(910)	(212)

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2010	2009
	HK$'000	*HK$'000*
Unlisted investments, at cost	56,326	56,326
Disposal	(49,666)	–
	6,660	56,326
Less: Provision for impairment loss	(6,650)	(6,650)
	10	49,676
Less: Available-for-sale financial assets under current assets	–	(49,666)
Available-for-sale financial assets under non-current assets	10	10

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Group *(Continued)*

Unlisted investments represent 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong and a 38.25% interest in a PRC investment project. For the year ended 31 December 2010, the PRC investment project was disposed and resulted in a net gain of HK$15,331,000.

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

The unlisted investments with a carrying amount of HK$10,000 (2009: HK$49,676,000) are measured at cost less impairment losses as they do not have quoted market prices in active markets. The Group plans to hold the investment amounting to HK$10,000 (2009: HK$10,000) continuously.

24. INTANGIBLE ASSETS

Group

Urban infrastructure development rights

	2010	2009
	HK$'000	*HK$'000*
At 1 January		
Cost	**17,686**	17,542
Accumulated amortisation and impairment loss	**(10,914)**	(10,312)
Net carrying amount	**6,772**	7,230
Year ended 31 December		
Opening net carrying amount	**6,772**	7,230
Amortisation charge	**(360)**	(515)
Exchange realignment	**219**	57
Closing net carrying amount	**6,631**	6,772
At 31 December		
Cost	**18,283**	17,686
Accumulated amortisation and impairment loss	**(11,652)**	(10,914)
Net carrying amount	**6,631**	6,772

25. GOODWILL

Group

	2010 HK$'000	2009 HK$'000
Gross amount		
At 1 January	**7,882**	7,882
Disposal of a subsidiary	**(3,714)**	—
At 31 December	**4,168**	7,882
Accumulated impairment loss		
At 1 January	**(7,882)**	(7,882)
Disposal of a subsidiary	**3,714**	—
At 31 December	**(4,168)**	(7,882)
Net carrying amount		
Gross amount	**4,168**	7,882
Accumulated impairment loss	**(4,168)**	(7,882)
At 31 December	**—**	—

26. INVENTORIES

Group

	2010 HK$'000	2009 HK$'000
Raw materials	**1,301**	580
Work in progress	**14,740**	11,903
Finished goods	**40,866**	43,319
	56,907	55,802
Less: Provision for obsolete inventories	**(19,533)**	(18,353)
	37,374	37,449

27. PROPERTIES HELD FOR SALE

Group

	2010 *HK$'000*	2009 *HK$'000*
Carrying amount at 1 January	**89,102**	279,480
Additions	**56,565**	89,129
Net transfer from/(to) investment properties *(note 17)*	**238,663**	(8,775)
Disposals	**(384,330)**	(270,732)
Carrying amount at 31 December	**–**	89,102

During the year, subsidiaries of the Company disposed properties held for sale with carrying amount of HK$384,330,000 (2009: HK$270,732,000) at total consideration of HK$591,250,000 (2009: HK$423,000,000), resulting in a gross profit of HK$197,841,000 (2009: HK$136,577,000).

28. PROPERTIES UNDER DEVELOPMENT

Group

	2010 *HK$'000*	2009 *HK$'000*
Carrying amount at 1 January	**489,207**	278,616
Purchase of net assets *(notes 45(a), (b), (c))*	**80,940**	88,927
Additions	**172,438**	76,890
Net transfer from properties held for development *(note 19)*	**18,291**	43,558
Interest capitalised in properties under construction *(note 8)*	**5,061**	1,090
Exchange realignment	**9,738**	126
Carrying amount at 31 December	**775,675**	489,207
Properties under development stated		
—at cost	**775,675**	489,207

As at 31 December 2010, the Group's properties under development with aggregate carrying value of HK$449,689,000 (2009: HK$356,596,000) were pledged to secure certain bank loans of HK$179,974,000 (2009: HK$208,000,000) (note 34).

29. TRADE AND OTHER RECEIVABLES

Group

	2010 HK$'000	2009 HK$'000
Trade receivables	108,649	71,945
Less: Provision for impairment loss	(10,996)	(12,485)
Trade receivables, net	97,653	59,460
Other receivables, utility deposits and prepayment	65,637	12,478
Less: Provision for impairment loss	—	(1,178)
Other receivables, utility deposits and prepayment, net	65,637	11,300
	163,290	70,760

The credit terms of the Group's trade receivables range from 30 to 90 days. At 31 December 2010, the ageing analysis of the trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
0 — 30 days	66,486	35,974
31 — 90 days	3,420	3,702
91 — 180 days	810	1,579
Over 180 days	26,937	18,205
Total trade receivables	97,653	59,460

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

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

	2010 *HK$'000*	2009 *HK$'000*
At 1 January	12,485	6,621
Less: Reversal of provision for impairment loss of trade receivables *(note 6)*	(1,768)	(32)
Add: Provision for impairment loss	–	5,322
Exchange realignment	279	574
At 31 December	10,996	12,485

At 31 December 2010 and 2009, included in the allowance for doubtful debts are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than one year and management assessed that none of these balances are expected to be recovered. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers.

Trade receivables that are not impaired are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Neither past due nor impaired	67,915	42,605
Less than 90 days past due	2,792	8,059
Past due more than 90 days but less than 1 year	24,714	8,110
Past due more than 1 year but less than 2 years	1,881	686
Past due more than 2 years	351	–
At 31 December	97,653	59,460

29. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

30. BANK DEPOSIT AT ESCROW ACCOUNT

This represented funds in the stakeholder's account in connection with pre-sale of properties under development situated in Hong Kong.

31. CASH AND CASH EQUIVALENTS

Group

	2010	2009
	HK$'000	*HK$'000*
Bank and cash balances	136,210	109,313
Short-term bank deposits	81,569	34,498
	217,779	143,811

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits were made for the periods of 7 days to 3 months (2009: 3 months) depending on the funding requirement of the Group, and earned fixed-rate interest at respective short-term deposit rates ranging from 0.12% to 1.35% (2009: 1.35% to 1.98%) per annum.

As at 31 December 2010, the Group's short-term bank deposit of HK$23,570,000 (2009: Nil) was pledged to secure a bank loan of HK$23,000,000 (2009: Nil) (Note 34).

31. CASH AND CASH EQUIVALENTS *(Continued)*

Group *(Continued)*

Included in cash and cash equivalents of the Group is HK$171,181,000 (2009: HK$85,575,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

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

32. TRADE AND OTHER PAYABLES

Group

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**54,004**	47,916
Receipt in advance	**2,684**	6,777
Rental deposits received	**60,189**	60,174
Accrued expenses and other payables	**111,602**	114,416
Provision for loss in litigation *(note a)*	**5,032**	5,032
	233,511	234,315

Note:

a. During the year ended 31 December 2009, a PRC subsidiary of the Company had a litigation with its former employees. The former employees instituted an action against the PRC subsidiary claiming approximately HK$5,032,000 for unpaid salary and bonus. The litigation was still in progress as at 31 December 2010. The Directors are of the opinion that it is probable that the Group will lose in the litigation and therefore full provision for loss in the litigation was made accordingly.

32. TRADE AND OTHER PAYABLES *(Continued)*

Group *(Continued)*

The Group was granted by its suppliers' credit periods from 30 to 60 days. As at 31 December 2010, the ageing analysis of the trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 — 30 days	**25,760**	30,847
31 — 90 days	**4,660**	3,232
Over 90 days	**23,584**	13,837
Total trade payables	**54,004**	47,916

33. DEPOSIT RECEIVED FROM DISPOSAL OF PROPERTIES

Group

	2010	2009
	HK$'000	*HK$'000*
Deposits and part payments associated with disposal of properties held for sale	**—**	29,475
Deposit receipt associated with pre-sale of properties under development	**421,785**	—
	421,785	29,475

34. BORROWINGS

Group

	2010	2009
	HK$'000	HK$'000
Bank loans — secured	3,025,918	2,103,733
Other loan	66,370	—
	3,092,288	2,103,733
Carrying amount repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	957,557	399,464
More than one year, but not exceeding two years	1,332,461	238,957
More than two years, but not exceeding five years	385,270	1,317,512
More than five years	417,000	147,800
	3,092,288	2,103,733
Carrying amount of bank loans due for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	2,134,731	1,704,269

Bank loans are secured by certain investment properties, property, plant and equipment, properties under development and short-term bank deposits of the Group as set out in notes 17, 18, 28 and 31 respectively to the financial statements.

34. BORROWINGS *(Continued)*

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

	2010 *RMB'000*	2009 *RMB'000*
RMB — denominated bank loan	40,000	—

The fair values of the borrowings as at 31 December 2010 approximate to their carrying amounts.

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

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

	2010	2009
Bank loans		
— HK$-denominated loans	HIBOR+1% p.a. to HIBOR+1.5% p.a.	HIBOR+1% p.a. to HIBOR+1.5% p.a.
— RMB-denominated loan	15% mark-up over the base rate	N/A
Other loans		
— HK$-denominated loans	HK$ Prime lending rate-1% p.a.	N/A

35. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

Group

	2010 *HK$'000*	2009 *HK$'000*
At 1 January	872,267	714,700
Deferred taxation charged to:		
— Profit or loss *(note 12)*	333,126	156,708
— Asset revaluation reserve	780	799
Exchange realignment	247	60
At 31 December	1,206,420	872,267

35. DEFERRED TAX LIABILITIES *(Continued)*

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

	Accelerated tax depreciation		Fair value gains		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**35,019**	34,011	**837,248**	680,689	**872,267**	714,700
Charged to:						
— Profit or loss	**3,461**	1,008	**329,665**	155,700	**333,126**	156,708
— Asset revaluation reserve	**–**	–	**780**	799	**780**	799
Exchange realignment	**–**	–	**247**	60	**247**	60
At 31 December	**38,480**	35,019	**1,167,940**	837,248	**1,206,420**	872,267

As at 31 December 2010, the amount of unrecognised deferred tax assets mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$22,351,000 (2009: HK$18,231,000). The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

The Group has deferred tax liabilities of approximately HK$1,471,000 as at 31 December 2010 (2009: HK$1,036,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such difference will not be reversed in the foreseeable future.

Company

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

36. SHARE CAPITAL

	2010 Number of shares	2010 HK$'000	2009 Number of shares	2009 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	**240,034,135**	**24,003**	239,184,135	23,918
Exercise of share options	**1,430,000**	**143**	850,000	85
At 31 December	**241,464,135**	**24,146**	240,034,135	24,003

37. RESERVES

Group

	2010 HK$'000	2009 HK$'000
Share premium *(note (a))*	**294,619**	287,498
Asset revaluation reserve	**32,822**	28,874
Employee share-based equity reserve	**23,600**	16,788
Retained profits	**6,201,098**	4,493,081
Exchange reserve	**23,472**	11,064
Special reserve *(note (b))*	**1,848**	1,848
Proposed final dividend *(note 15(a))*	**24,156**	24,023
	6,601,615	4,863,176

Notes:

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

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

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on pages 40 and 41 to the financial statements.

37. RESERVES *(Continued)*

Company

	Share premium HK$'000 (note (a))	Contributed surplus HK$'000 (note (b))	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2009	285,789	2,169,280	14,852	(1,948,524)	16,747	538,144
Exercise of share options	1,709	–	(340)	–	–	1,369
Lapse of share options	–	–	(649)	649	–	–
Equity-settled share based payment *(note 38)*	–	–	2,925	–	–	2,925
Profit for the year	–	–	–	4,598	–	4,598
Under-provision for final dividend for 2008	–	(33)	–	–	33	–
Final dividend paid for 2008 *(note 15(b))*	–	–	–	–	(16,780)	(16,780)
Proposed final dividend for 2009 *(note 15(a))*	–	(24,023)	–	–	24,023	–
At 31 December 2009 and 1 January 2010	287,498	2,145,224	16,788	(1,943,277)	24,023	530,256
Exercise of share options	7,121	–	(1,849)	–	–	5,272
Lapse of share options	–	–	(113)	113	–	–
Equity-settled share based payment *(note 38)*	–	–	8,774	–	–	8,774
Profit for the year	–	–	–	564	–	564
Under-provision for final dividend for 2009	–	(20)	–	–	20	–
Final dividend paid for 2009 *(note 15(b))*	–	–	–	–	(24,043)	(24,043)
Proposed final dividend for 2010 *(note 15(a))*	–	(24,156)	–	–	24,156	–
At 31 December 2010	**294,619**	**2,121,048**	**23,600**	**(1,942,600)**	**24,156**	**520,823**

37. RESERVES *(Continued)*

Company *(Continued)*

Notes:

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

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

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

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

38. SHARE BASED EMPLOYEE COMPENSATION

Share options

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

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

Purpose of the 2002 Share Option Scheme

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

Eligible participants of the 2002 Share Option Scheme

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

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

Total number of securities issuable

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

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

At the annual general meeting of the Company convened on 1 June 2010, the said 10% limit was refreshed to the effect that the limit of number of shares available for issue was increased to 24,043,413 shares.

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

As at the date of this annual report, the total number of shares available for issue under the 2002 Share Option Scheme was 18,793,413 representing approximately 7.8% of the Company's shares in issue as at that date.

Maximum entitlement of each employee/participant

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

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

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

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

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

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

Exercise price

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

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

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

(iii) the nominal value of the shares.

Life of the Schemes

The 2002 Share Option Scheme has a life of 10 years from its adoption date. The remaining live of the 2002 Share Option Scheme is 1.25 years from the date of this annual report.

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

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

2002 Share Option Scheme

Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	Number of options: As at 1 January 2010	Granted during the year	(Exercised)/ (lapsed)*/ (cancelled)** during the year	As at 31 December 2010	Fair value of options granted *(HK$'000)*
Directors										
Foo Kam Chu, Grace	19 July 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	600,000	–	–	600,000	–
	28 October 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	600,000	–	–	600,000	–
	9 November 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	600,000	–	–	600,000	–
	12 November 2010	8.18	8.15	N/A	12 November 2011 to 21 July 2012	–	600,000	–	600,000	1,037
Chan Wai Ling	19 July 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	2,000,000	–	–	2,000,000	–
	28 October 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	2,000,000	–	–	2,000,000	–
	9 November 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	2,000,000	–	–	2,000,000	–
	12 November 2010	8.18	8.15	N/A	12 November 2011 to 21 July 2012	–	2,000,000	–	2,000,000	3,458
Kong Siu Man, Kenny	9 November 2009	4.84	4.94	N/A	9 November 2010 to 21 July 2012	120,000	–	–	120,000	–
	12 November 2010	8.18	8.15	N/A	12 November 2011 to 21 July 2012	–	250,000	–	250,000	432
Tse Chun Kong, Thomas	4 July 2005	2.35	2.38	9.55	4 January 2006 to 3 January 2011	90,000	–	(90,000)	–	–
	21 November 2006	2.53	2.52	9.55	20 May 2007 to 19 May 2012	90,000	–	(90,000)	–	–
	19 July 2007	6.17	6.17	9.55	18 January 2008 to 21 July 2012	90,000	–	(90,000)	–	–
	28 October 2008	1.50	1.76	9.55	27 April 2009 to 21 July 2012	90,000	–	(90,000)	–	–
	9 November 2009	4.84	4.94	9.55	9 November 2010 to 21 July 2012	90,000	–	(90,000)	–	–
Tse Wai Hang	12 November 2010	8.18	8.15	N/A	12 November 2011 to 21 July 2012	–	50,000	–	50,000	86
Meng Qinghui	6 July 2004	1.45	1.47	N/A	6 January 2005 to 5 January 2010	90,000	–	(90,000)*	–	–

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme *(Continued)*

Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	Number of options: As at 1 January 2010	Granted during the year	(Exercised)/ (lapsed)*/ (cancelled)** during the year	As at 31 December 2010	Fair value of options granted *(HK$'000)*
	4 July 2005	2.35	2.38	N/A	4 January 2006 to 3 January 2011	90,000	–	–	90,000	–
	19 December 2006	2.69	2.52	N/A	20 May 2007 to 19 May 2012	90,000	–	–	90,000	–
	19 July 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	90,000	–	–	90,000	–
	28 October 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	90,000	–	–	90,000	–
Liang Yanfeng	8 January 2007	2.60	2.52	N/A	20 May 2007 to 19 May 2012	90,000	–	–	90,000	–
	19 July 2007	6.17	6.17	N/A	18 January 2008 to 21 July 2012	90,000	–	–	90,000	–
	28 October 2008	1.50	1.76	N/A	27 April 2009 to 21 July 2012	90,000	–	–	90,000	–
Other Employees	19 July 2007	6.17	6.17	7.88	18 January 2008 to 21 July 2012	2,630,000	–	(330,000) (30,000)*	2,270,000	–
	28 October 2008	1.50	1.76	5.25	27 April 2009 to 21 July 2012	2,480,000	–	(450,000)	2,030,000	–
	9 November 2009	4.84	4.94	7.85	9 November 2010 to 21 July 2012	2,540,000	–	(200,000)	2,340,000	–
	12 November 2010	8.18	8.15	N/A	12 November 2011 to 21 July 2012	–	2,670,000	–	2,670,000	4,618
						16,740,000	5,570,000	(1,550,000)	20,760,000	9,631

38. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme *(Continued)*

As at 31 December 2010, 15,190,000 (2009: 11,390,000) share options under the 2002 Share Option Scheme are exercisable.

The fair value of the options granted during the year determined at the date of grant using the Black-Scholes Option Pricing Model were HK$9,631,000 (2009: HK$8,721,000).

Date of grant	12 November 2010
Closing share price immediately preceding the date of grant	HK$8.18 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the dates of grant)	43%
Expected life (in years)	1.69 years
Risk-free interest rate	0.43%
Expected dividend yield	1.2%

The share options vest upon the commencement of the exercisable period and, as at 31 December 2010, the total vested amount of HK$8,774,000 (2009: HK$2,925,000) was expensed through profit or loss.

39. COMMITMENTS

(a) Operating lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

Group

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,297**	7,309
In the second to fifth years inclusive	**—**	45
	1,297	7,354

The Group leases a number of properties under operating leases. The leases run for period of one year. None of the leases includes contingent rentals.

39. COMMITMENTS *(Continued)*

(b) Capital commitments

Group

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for:		
— Construction costs of property development	**237,391**	59,280
— Acquisition of properties	**309,231**	17,100
— Capital contribution to PRC subsidiaries of urban infrastructure business	**—**	13,600
— Capital contribution to PRC subsidiaries of property development business	**14,140**	28,289
	560,762	118,269

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

Company

The Company does not have any significant commitments as at 31 December 2010 (2009: Nil).

40. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2010, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**178,074**	179,310
In the second to fifth years inclusive	**111,541**	221,598
	289,615	400,908

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases also require the tenants to pay rental deposits.

41. CONTINGENT LIABILITIES

(a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$4,816,000 (2009: HK$5,903,000).

(b) Legal proceedings arising from the orders made by the Lands Tribunal (LDCS5000/2007) for compulsory sales of all units of the old buildings (now demolished) situated at 44 and 46 Haven Street are still under progress. The former owner challenges the reserve price of auction sale was too low and alleges he has been deprived of around HK$6,200,000 in his share of the proceeds of the sales as a result.

In March 2009, the Lands Tribunal made a judgement for the former owner to pay 90% of the costs of the Group for the Lands Tribunal proceedings. The former owner applied to the Lands Tribunal to review the cost order. In November 2010, the Lands Tribunal varied the portion of the costs the former owner is required to bear 60%, instead of 90%, of the costs order. Nonetheless, the former owner is still not satisfied with the revised cost order and has applied to the Court of Appeal for leave to appeal against this order and this is to be heard on 15 April 2011.

If the cost order is reversed against the Group and the former owner succeeds in the appeal, the Group may have to bear all costs incurred in the Lands Tribunal proceeding and top up the shortfall of the portion of the reserve price payable which amounted to HK$2,800,000 and HK$6,200,000 respectively. According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fairly good chance to succeed in the appeal to the Court of Appeal and resisting the appeal on costs order and hence no provision was made for this legal proceeding as at reporting date.

41. CONTINGENT LIABILITIES *(Continued)*

(c) Another legal proceeding resulted from the successful application by the Group to the Lands Tribunal (LDCS6000/2007) for the auction sale of all units of the old buildings (now demolished) situated at 48 and 50 Haven Street. In November 2010, the Lands Tribunal made an order for the former owners of one of the units of the old buildings to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The auction sale had then been conducted and completed. The Court of Appeal allowed leave for the former owner to appeal against this cost order and the appeal is to be heard on 25 November 2011 (CACV32/2011). If the cost order is reversed against the Group, the Group would have to bear certain costs incurred in the Lands Tribunal and for the appeal, which may be in the region of about HK$1,800,000. According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fairly good chance to succeed in the appeal to the Court of Appeal and resisting the appeal on costs order and hence no provision was made for this legal proceeding as at reporting date.

(d) In September 2009, the Group commenced legal proceedings against a joint venture partner, with whom a subsidiary of the Company has a joint venture agreement for the development and construction of village houses on a number of pieces of land in New Territories. Details of the legal proceedings have been set out in note 22 to the financial statements.

42. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$3,650,834,000 (2009: HK$2,707,768,000) with respect to bank loans to its subsidiaries, which are also secured against properties held by those subsidiaries. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contracts has been made as the Directors consider that it was not probable that the repayment of the loan would be in default.

43. RELATED PARTY TRANSACTIONS

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

(a) A subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have equity interests respectively, for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2007 and expiring on 30 April 2010 at the monthly rental of HK$80,000. The tenancy agreement was renewed for a period of one year commencing from 1 May 2010 and expiring on 30 April 2011 at the monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2010 amounted to HK$960,000 (2009: HK$960,000).

43. RELATED PARTY TRANSACTIONS *(Continued)*

(b) A subsidiary of the Company entered into a tenancy agreement with a related company, in which an executive director of the Company has material equity interests, for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 September 2009 and expiring on 31 August 2010 at the monthly rental of HK$45,000. The tenancy agreement was renewed for a period of one year commencing from 1 September 2010 and expiring on 31 August 2011 at the monthly rental of HK$50,000. Total rental paid for the year ended 31 December 2010 amounted to HK$560,000 (2009: HK$180,000).

(c) Certain subsidiaries of the Company entered into tenancy agreements with a related company, in which the Chairman and an executive director of the Company have interests, for leasing office units of a building situated at Guangzhou, PRC for office purpose. The total rental and management charges paid for the year amounted to HK$1,343,000 (2009: HK$775,000).

(d) On 16 April 2008, a related company in which the Chairman and an executive director of the Company have interests, advanced to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK$100,000,000 with interest rate at prime lending rate for Hong Kong dollars minus 1% per annum. The final maturity date is on 30 April 2011. As at 31 December 2010, approximately HK$66,370,000 was utilised (2009: Nil). The revolving credit facility has been subsequently renewed on 27 February 2011 to increase the facility amount to HK$150,000,000 and extend the maturity date to 30 April 2014.

(e) On 18 March 2010, a purchaser, who is the substantial shareholder of the minority shareholding company of a PRC property development subsidiary of the Company, entered into an agreement with another wholly-owned subsidiary of the Company to purchase a unit in one of the Group's residential property development project (the "Property Unit"). The consideration for the sale of the Property Unit was in the amount of HK$6,535,000.

(f) Key management personnel compensation:

	2010 *HK$'000*	2009 *HK$'000*
Basic salaries and other benefits	16,488	13,104
Pension costs — defined contribution plan	121	120
Equity-settled share based payment	8,750	2,767
	25,359	15,991

44. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

	2010	2009
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	9	55
Property held for development *(note 19)*	5,278	–
Cash and cash equivalents	67	157
Other receivables, prepayments and deposits	11,517	8,429
Inventories	200	1,428
Other payables and accruals	(12,710)	(666)
Provision for income tax	(3,020)	(7,130)
Non-controlling interests	(5,116)	(216)
Release of exchange reserve upon disposal/ deregistration	(281)	(2,694)
	(4,056)	(637)
Gain on disposal/deregistration of subsidiaries	7,520	657
Total consideration	3,464	20
Satisfied by:		
Waiver of an amount due from the disposed subsidiary	(12,135)	–
Waiver of an amount due to the deregistered subsidiary by the Group	2,258	–
Cash	13,341	20
	3,464	20

An analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010	2009
	HK$'000	*HK$'000*
Net cash inflow/(outflow) arising on disposal:		
Cash consideration received	13,341	20
Bank and cash balances disposed of	(67)	(157)
	13,274	(137)

45. ASSETS ACQUISITIONS

(a) On 24 February 2010, the Group acquired 85% equity interest in 高要市金城房地產發展有限公司 ("高要金城"). Upon completion of the acquisition, 高要金城 will be converted into a Sino Foreign Equity Joint Venture Enterprise to carry out land development. 高要金城 will develop a residential and commercial project located at Zhaoqing, the PRC.

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

	Acquiree's carrying amount *HK$'000*	**Fair Value** *HK$'000*
Properties under development *(note 28)*	7,686	80,940
Prepayments and other receivables	5,193	5,193
Other payables	(9,425)	(9,425)
Net assets	3,454	76,708
Non-controlling interests (15%)		(11,505)
Net assets acquired		65,203
Satisfied by:		
Cash		65,203
Net cash outflow arising on acquisition:		
Purchase consideration settled in cash		(65,203)

45. ASSETS ACQUISITIONS *(Continued)*

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

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

The fair values of net assets acquired were as follows:

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

45. ASSETS ACQUISITIONS *(Continued)*

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

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

The fair values of net assets acquired were as follows:

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

46. FINANCIAL INSTRUMENTS

46.1 Financial risk management objectives and policies

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

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

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk through the impact of interest rate changes on its interest bearing borrowings, and cash and cash equivalents. The interest rates and repayment terms of the Group's cash and cash equivalents and borrowings are disclosed in notes 31 and 34 respectively. The Group currently does not have an interest rate hedging policy. However, the Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

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

Interest rate sensitivity analysis

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to variable-rate financial instruments at that date. The 25 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 December 2009.

46. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) *Interest rate risk* *(Continued)*

Interest rate sensitivity analysis (Continued)

At 31 December 2010, it is estimated that a general increase of 25 basis points in interest rates, with all other variable held constant, would decrease the Group's profit after tax and retained profits by approximately HK$4,650,000 (2009: HK$4,900,000), increase the interest capitalised into the Group's investment properties and properties under development by HK$1,168,000 and HK$450,000 respectively (2009: HK$904,000 and HK$173,000 respectively). There is no impact on other components of consolidated equity in response to the general increase in interest rates. A decrease of 25 basis points in interest rate would have had the equal but opposite effect on the above financial instruments to the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

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

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

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

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

46. FINANCIAL INSTRUMENTS *(Continued)*

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

(c) *Foreign currency risk*

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

(d) *Liquidity risk*

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

The following tables detail the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay. Specifically, for term loans which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

46. FINANCIAL INSTRUMENTS *(Continued)*

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

(d) Liquidity risk (Continued)

Group

	31 December 2010 Maturity Analysis — Undiscounted cash outflows		
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**54,004**	**54,004**	**54,004**
Accrued expenses and other payables	**111,602**	**111,602**	**111,602**
Bank loans, secured	**47,140**	**49,094**	**49,094**
Bank loans, secured, subject to repayment on demand clause	**2,978,778**	**2,978,778**	**2,978,778**
Other loans	**66,370**	**67,930**	**67,930**
	3,257,894	**3,261,408**	**3,261,408**

	31 December 2009 (restated) Maturity Analysis — Undiscounted cash outflows		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	47,916	47,916	47,916
Accrued expenses and other payables	114,416	114,416	114,416
Bank loans, secured, subject to repayment on demand clause	2,103,733	2,103,733	2,103,733
	2,266,065	2,266,065	2,266,065

46. FINANCIAL INSTRUMENTS *(Continued)*

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

(d) Liquidity risk *(Continued)*

The table that follows summarises the maturity analysis of the terms loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within 1 year or on demand" time band in the maturity analysis shown above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The Directors believe that such terms will be repaid in accordance with the scheduled repayment dates set out in their loan agreements.

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayment dates					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2010	**2,978,778**	**3,061,958**	**889,022**	**1,362,053**	**412,195**	**398,688**
31 December 2009	2,103,733	2,175,442	426,943	261,288	1,335,119	152,092

Company

	31 December 2010		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
Accrued expenses and other payables	233	233	233
Financial guarantee issued Maximum amount guaranteed	3,650,834	3,650,834	3,650,834

46. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Company *(Continued)*

	31 December 2009		
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*
Accrued expenses and other payables	314	314	314
Financial guarantee issued			
Maximum amount guaranteed	2,707,768	2,707,768	2,707,768

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

(i) a related company granted an unsecured revolving credit facility with unutilised portion of HK$33,630,000 with maturity date on 30 April 2011. The revolving credit facility has been subsequently renewed on 27 February 2011 to increase the facility amount to HK$150,000,000 and extend the maturity date to 30 April 2014. (note 43(d));

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

(iii) with net assets of HK$6,716,759,000 (2009: HK$4,943,767,000), the Group should be able to secure additional loan facilities, if necessary.

46. FINANCIAL INSTRUMENTS *(Continued)*

46.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the reporting dates are catergorised as follows. See notes 4.11(i) and 4.11(iv) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**10**	49,676	**–**	–
Loans and receivables				
— Trade receivables, net	**97,653**	59,460	**–**	–
— Other receivables, net	**12,377**	8,405	**–**	–
— Amount due from a jointly-controlled entity	**45,490**	43,694	**–**	–
— Amounts due from subsidiaries	**–**	–	**–**	9,242
Bank deposit at escrow account	**237,766**	–	**–**	–
Cash and cash equivalents	**217,779**	143,811	**33**	39
	611,075	305,046	**33**	9,281
Financial liabilities				
At amortised cost				
— Trade payables	**(54,004)**	(47,916)	**–**	–
— Accrued expenses and other payables	**(111,602)**	(114,416)	**(233)**	(314)
— Bank loans, secured	**(3,025,918)**	(2,103,733)	**–**	–
— Other loans	**(66,370)**	–	**–**	–
	(3,257,894)	(2,266,065)	**(233)**	(314)

47. CAPITAL RISK MANAGEMENT

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

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

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

	2010	2009
	HK$'000	*HK$'000*
Trade and other payables	**233,511**	234,315
Borrowings, secured	**3,092,288**	2,103,733
Total debt	**3,325,799**	2,338,048
Less: Cash and cash equivalents	**(217,779)**	(143,811)
Net debt	**3,108,020**	2,194,237
Total equity	**6,716,759**	4,943,767
Net debt to equity ratio	**0.46:1**	0.44:1

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2010 are as follows:

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	–	100%	Property development and property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of building repairs and maintenance services
Goldwell Property Management Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Provision of building management service
Grape Trade Limited	British Virgin Islands	50,000 ordinary shares of US$1 each	–	100%	Investment holding
Haven Investment Properties Limited (formerly known as Fineway Properties Limited)	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Property investment
Jilin Properties Limited (formerly known as Soundwill (Jilin) Limited)	Hong Kong	99 ordinary shares of HK$1 each 1 non-voting deferred share of HK$1	–	100%	Property investment
Maxrise Construction Engineering Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Provision for construction, repairs and maintenance services
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK$1 each	100%	–	Investment holding
Soundwill (China) Limited	Hong Kong	Issued share capital of HK$261,500,213	–	100%	Investment holding
Soundwill Real Estate (China) Limited	British Virgin Islands	1 ordinary share of USD1 each	–	100%	Investment holding
Strong Well Property Management Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of building management service
Tang Lung Investment Properties Limited (formerly known as Keyland Limited)	Hong Kong	1,000 ordinary shares of HK$1 each	–	100%	Property investment
Warren Investment Properties Limited (formerly known as Good Faith Properties Limited)	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property development
珠海市山水花城物業管理有限公司*	PRC	Registered capital of RMB25,000,000	–	51%	Property development
廣州天峰裝飾設計有限公司*/**	PRC	Registered capital of HK$12,500,000 Paid-up capital of HK$3,750,000	–	100%	Provision of building renovation and management service

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2010 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company		Principal activities
			Directly	Indirectly	
高要市金城房地產發展有限公司*	PRC	Registered capital of RMB30,000,000	–	85%	Property development
漳州金達房地產開發有限公司 */**	PRC	Registered capital of RMB23,580,000	–	100%	Property development
廣州金朝陽城市管網建設有限公司**	PRC	Registered capital of RMB10,000,000	–	100%	Urban infrastructure development
山東金朝陽城市管網建設有限公司**	PRC	Registered capital of HK$10,000,000	–	100%	Urban infrastructure development
景德鎮城市管網建設投資管理有限公司***	PRC	Registered capital of HK$8,000,000	–	80%	Urban infrastructure development
黃岡市城市管網建設投資有限公司***	PRC	Registered capital of HK$12,500,000	–	80%	Urban infrastructure development
威海市城市管網建設投資有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
鄂州金朝陽城市管網建設投資有限公司***	PRC	Registered capital of HK$10,000,000	–	80%	Urban infrastructure development
柳州城市管網建設管理有限公司***	PRC	Registered capital of HK$30,000,000	–	80%	Urban infrastructure development
貴港金朝陽城市管網建設管理有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
南昌城市管網建設投資有限公司***	PRC	Registered capital of HK$30,000,000	–	80%	Urban infrastructure development
南平市(金朝陽)城市管道建設投資管理有限公司***	PRC	Registered capital of HK$13,748,000	–	80%	Urban infrastructure development
韶關城市管網建設投資管理有限公司***	PRC	Registered capital of HK$16,000,000	–	80%	Urban infrastructure development
許昌市市政公用管網投資建設管理有限公司***	PRC	Registered capital of HK$6,000,000	–	80%	Urban infrastructure development
玉溪市城市管道建設有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2010 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company		Principal activities
			Directly	Indirectly	
寶雞市城市管網建設有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development

Notes:

* These subsidiaries were established in PRC as limited liability companies.

** These subsidiaries were established in PRC as foreign wholly-owned limited liability companies.

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

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

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2010 were approved and authorised for issue by the Directors on 23 March 2011.

Appendix I — List of Major Properties Held as at 31 December 2010

Location	Approximate gross floor area (sq.ft.)	Interest attributable to the Group	Land use	Lease term
Soundwill Plaza 38 Russell Street, Causeway Bay, Hong Kong	246,400	100%	Commercial	Long-term lease
1-29 Tang Lung Street, Causeway Bay, Hong Kong	151,500	100%	Commercial	Long-term lease
32-50 Haven Street, Causeway Bay, Hong Kong	186,200*	100%	Commercial/ Residential	Long-term lease
11-13 Sharp Street East and 1-1A Yiu Wa Street, Causeway Bay, Hong Kong	48,000	100%	Commercial	Long-term lease
17-19 Hing Wan Street, Wanchai, Hong Kong	16,400	100%	Commercial/ Residential	Long-term lease
中國廣東省珠海市斗門區井岸鎮五福村五福園	823,800#	51%	Residential	Medium-term lease

* Based on non-domestic development.

Based on latest plan submitted.

Appendix II — Major Properties Under Development as at 31 December 2010

Location	Approximate gross floor area (sq.ft.)	Interest attributable to the Group	Project status	Expected completion date
WarrenWoods 13-27 Warren Street, Tai Hang, Hong Kong	79,600	100%	Construction in progress	Mid 2012
龍鳳春曉 中國廣東省珠海市斗門區井岸鎮港霞路	589,000	51%	Construction in progress	End of 2011
金朝陽 — 領都 中國福建省長泰武安鎮建設南路	75,000	100%	Construction in progress	End of 2011

Appendix III — Five-year Financial Summary

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

CONSOLIDATED RESULTS

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**913,714**	713,714	338,991	464,673	197,464
Profit before income tax	**2,122,979**	1,238,788	154,786	1,270,108	499,150
Income tax (expense)/credit	**(384,129)**	(185,375)	4,656	(207,170)	(76,045)
Profit for the year	**1,738,850**	1,053,413	159,442	1,062,938	423,105
Profit attributable to owners of the Company	**1,732,080**	1,058,583	162,471	1,063,285	422,474
Non-controlling interests	**6,770**	(5,170)	(3,029)	(347)	631
	1,738,850	1,053,413	159,442	1,062,938	423,105

CONSOLIDATED ASSETS AND LIABILITIES

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)		
Non-current assets	**10,220,206**	7,311,591	6,285,001	5,512,874	4,361,544
Net current assets/(liabilities)	**(2,297,027)**	(1,495,557)	(1,697,280)	262,051	(789,152)
Non-current liabilities	**(1,206,420)**	(872,267)	(714,700)	(2,097,496)	(969,850)
Non-controlling interests	**(90,998)**	(56,588)	(33,472)	(22,052)	(22,249)
Equity attributable to owners of the Company	**6,625,761**	4,887,179	3,839,549	3,655,377	2,580,293

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Soundwill Holdings Limited ("the Company") will be held at 3:00 p.m., on Thursday, 19 May 2011 at 36th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditor for the year ended 31 December 2010;

2. To declare a final dividend for the year ended 31 December 2010;

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

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

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

ORDINARY RESOLUTIONS

A. "**THAT**:

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

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

(c) for the purposes of this Resolution,

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

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

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

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

B. "**THAT**:

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

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

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

(d) for the purpose of this Resolution,

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

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

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

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

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

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

D. "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval of the listing of, and permission to deal in, shares of the Company (the "Shares") to be issued pursuant to the exercise of any options under the new share option scheme of the Company (the "New Share Option Scheme"), the rules of which are contained in the document marked "A" produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and that the directors of the Company be and are authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:

(a) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for Share;

(b) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange;

(c) to issue and allot from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme;

(d) to make application at the appropriate time or times to the Stock Exchange for listing of and permission to deal in any Shares which may from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and

(e) to consent, if it so deems fit and expedient, to such conditions, modifications, and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme."

Notice of Annual General Meeting

E. "**THAT** conditional on the passing of ordinary resolution no. D hereinabove, the share option scheme adopted by the Company on 22 July 2002 be and is hereby terminated with immediate effect provided that options which have been granted and remain outstanding shall continue to be exercisable in accordance with their terms of issue and the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange."

By Order of the Board
Tse Wai Hang
Company Secretary

Hong Kong, 12 April 2011

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

Notes:

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

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

3. The Register of members of the Company will be closed from Monday, 16 May 2011 to Thursday, 19 May 2011 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 13 May 2011.

金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

INCORPORATED IN BERMUDA WITH LIMITED LIABILITY
於百慕達註冊成立之有限公司
STOCK CODE 股份代號 878