2009

POWER & VISION

China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Remuneration Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

QUALIFIED ACCOUNTANT

Mr. Lai Siu Hung

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial and Commercial Bank of China
Agricultural Bank of China

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg.mydyn.net

CHAIRMAN'S STATEMENT

A successful operating strategy must be arrived at after due and careful consideration, and without false conclusion, of the following issues:

In the view of the Group, governments should acknowledge the adverse impacts of the global financial crisis and expedite reorganizations of impaired enterprises by dealing with the losses in assets of enterprises or even the laws on enterprise bankruptcy. Actual revival of the economy can only be achieved by the recognition of failure and losses.

Nevertheless, for political reasons, certain governments, instead, implemented an economic stimulus package involving raising huge debts. Hasty injection of astronomical liquidity funds into parts of an economy inevitably results in extremely low efficiency of resources allocation and the dramatic waste of scarce resources which both are necessary for economic recovery. Obviously, the economic stimulus package is likely to retard the progress of economic recovery. Meanwhile, the massive outflow of US dollars to global economies, in particular the economies in emerging markets, leads to inflation and the bubbling up of global assets. If some governments become anxious and implement exit and interest raising policies, the growing asset bubble will burst out. As such, a "double dip" is not an ungrounded concern.

Such economic stimulus package intervenes market economies by injecting liquidity funds attributable to huge debts by certain governments into parts of an economy or into a non-core economy. If such package can be successful, a planned economy would serve the objective.

In conclusion, the Group will accelerate the pace of its asset disposal exercises during the course of bubbling up of assets by some governments. Currently, the Group has low leverage and possesses a sufficient bank of quality land. If an investment funding of HK$50 billion can be secured in the 3 years ahead, and the Group manages to acquire quality lands at low prices during the burst of asset bubble, the Group will undoubtedly be a winner in the global financial crisis.

OUTLOOK

The Group is considering various alternatives to enhance the value of the Company to the shareholders which may include certain businesses to be separately listed.

Dr. Wang Shih Chang, George
Chairman

Hong Kong, April 13, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group strategies

The Group focuses on developing and creating high quality, large scale, residential and commercial projects in strategic locations in the PRC. The Group designs the properties based on themes and concepts drawn from different cultures. The properties are designed to target at the significant and growing middle- and upper-class purchasers and consumers in the PRC, who the Group believes are attracted to a modern and upscale lifestyle and atmosphere.

The Group has in the past focused, and intends to continue to focus, on developing the following:

Large-scale theme residential communities. These are residential projects that are targeted at the growing middle-class in the PRC with distinct landscape and interior design features that are based on various themes and motifs. The selected properties/sites are connected with mass transit systems and/or convenient transportation systems.

Upscale theme shopping street developments. These are typically projects located on prime retail streets in major cities in the PRC which are intended to include areas for retail, service apartment, entertainment, cultural and recreational uses. Our aim is to make each of these projects both a focal point for the entire district in which it is located and a day-trip destination for local and non-local residents.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China has continued its robust economic performance since the first half of 2009 amid severe global head winds. The RMB4,000 billion economic stimulus package launched in 2008 had boosted up fixed assets investments as well as asset prices. Private residential prices in China's major cities have risen dramatically over the past year amid an environment of loose credit policy. According to published statistics, the average price of new residential units among the 70 major cities in China grew by 1.5% year-on-year in December 2009, and second hand residential price grew by 2.4%. In addition, land auction prices have been pushed up to historical high levels as developers became aggressive in a upward moving market condition.

The retail market still grew rapidly during 2009 with the recovery of local macro economy. Strong underlying economic trends, population growth and the increasing wealth of individuals are key factors behind the expansion of retail market. Preliminary figures reveal that total retail sales in Mainland China reached RMB12,534.3 billion in 2009, up 15.5% year-on-year. International retail brands are still active in the market as China has become their major source of business turnover and engine for profit growth.

Office market in Mainland China generally showed improved performance in late 2009 along with the increasing demand from both domestic and foreign enterprises; rental drops narrowed down in some cities like Beijing and Guangzhou during the fourth quarter of 2009, while some cities even recorded rental growth quarter-on-quarter. Coming new supply would inevitably increase vacancy rates; yet office transactions increased during the period due to improved investment outlook.

Overview of the Mainland Property Market in Chongqing

As a result of the hit by the global financial tsunami, the Chongqing property market was in an adjustment stage in 2009. However, in light of the positive prospect of regional development and the highly localized market, the market gradually acts back to the level before the downturn in late 2008.

According to an official report, the total transacted floor area in Chongqing from January 2009 to November 2009 was about 32 million square metre with around 40.9% year-on-year increase. The total consideration of property transaction was approximately RMB111 billion, representing an increase of about 71.6% compared with the same period in 2008. Besides, the total amount in real estate investment approached approximately RMB104 billion in the first eleven months of 2009, this represents a year-on-year growth of about 26%.

On the other hand, due to the economic recovery and domestic demand, the performance of high-end residential buildings and office properties started to recover in the third quarter of 2009; market price is benefited from the supply of high end properties, the recovering in demand and also the stabilized rental level. Moreover, the land price also started going up, the frequent land transactions and notable new developers anticipating in the Chongqing property market saw the recovery of investors' confidence.

Overall, in view of the promising outlook and increasing local demand, property market in Chongqing has room to grow.

Overview of the Mainland Property Market in Shanghai

Property market in Shanghai saw substantial rebound amid the global crisis as China's quick recovery from the global recession helped boost capital gains. The private residential property price in Shanghai has increased at an aggressive pace in the fourth quarter of 2009, and posted the biggest annual price increase for houses located in prime areas. The average sale price of some luxurious residential developments reached over RMB100,000 per square metre and is the highest among the cities in China.

After undergoing a downward movement in rents during the first half of 2009, Shanghai prime retail market rentals witnessed a strong up pick during the second half of 2009. Compared with 2008, rentals in all prime retail areas have witnessed a significant growth. With the approach of the World Expo, retailers are competing for spaces to capture market share. Downtown locations such as East Nanjing Road and West Nanjing Road will be the areas with the highest number of well-known international brands and are quickly being developed into the most prosperous business districts.

In the office sector, Grade A office rents rebounded since late 2009, with unabated demand from financial tenants and local enterprises from other industries. Office rents in Pudong are expected to climb from the existing level driven by the robust demand; Puxi also witnessed a slight rise in its Grade A office market in the past quarter but a full rebound is yet to occur.

The affirmation of Shanghai's dual international centre status (financial and shipping), coupled with the holding of the World Expo in mid-2010 and the development of new infrastructures such as the Disneyland in the future, will together boost the demand for office and retail spaces (including investment demand in the light of reducing risk aversion), as well as the tourism industry.

OUTLOOK

In mid-2009, China's central government started to advise commercial banks to tighten lending for second homes; and in early December 2009, the government further announced that the resale tax incentive introduced in 2008 would be withdrawn. These evidence the government's intention to cool down the overheated market and there are increasing signs that the government will take additional measures.

A mild correction in home prices in certain cities may be seen in the first half of 2010, but dramatic price corrections are not expected; in addition, the government tried to control the market by combating land hoarding by developers. We expect that without new regulation policies, the real estate price still has the chance to rise further in 2010.

The measures to moderate the real estate market will definitely reduce developers' enthusiasm in the short run, forcing them to searching for new business opportunities through mergers and acquisitions. We predict that the investment market will see a rapid growth in 2010, with local buyers or developers dominating the market.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the year amounted to HK$9,609.3 million (2008: HK$614.4 million) increased by 1,464% when compared to 2008. The profit before taxation, excluding changes in fair value of investment properties, amounted to HK$700.2 million (2008: HK$807.3 million), a decrease of 13.3% when compared with last year.

The Group's revenue of HK$1,286.9 million (2008: HK$1,746 million), decreased by 26.3% when compared with last year, and was mainly due to the decrease in revenue from sales of development properties.

The revenue from sales of development properties amounted to HK$1,266.4 million (2008: HK$1,711.5 million), decreased by 26% as compared with 2008. The Group delivered a gross floor area ("GFA") of approximately 1,883,000 sq. ft. in 2009 (2008: 3,098,000 sq. ft), a 39.2% decrease as compared with last year. During the year, the Group delivered a majority of the residential units at Phase IV B of Shanghai Cannes.

Gross profit margin for sales of development properties was 51.1% (2008: 56%). The decrease was due to the cost of construction went up, as a result of the increase in raw materials prices, outweighed the increase in selling price of Phase IV B of Shanghai Cannes.

Income from property leasing decreased by 30% to HK$18.7 million (2008: HK$26.7 million). The decrease was attributable to the impact of the global financial crisis, which gathering pace during the third quarter of 2008 and affecting the leasing market during the first half of the year. Income from property leasing, however, recovered during the second half of the year as more leasable area were completed and title certificates were obtained. Property management income dropped by HK$6.1 million when compared to last year as a result of the termination of property management contract for Shanghai Cannes.

The Group commenced the construction of Beverly Hills (formerly part of Chongqing Manhattan City) with total GFA of approximately 23,828,000 sq. ft.. Pre-sales of residential properties of Beverly Hills have been launched during the year with tremendous responses.

Other income was HK$98.2 million (2008: HK$36.9 million), an increase of 166.1%. Other income mainly comprised of written back of other payables and accruals of HK$76.6 million (2008: Nil) and gain on disposal of a subsidiary of HK$12.8 million (2008: Nil). Interest from bank deposits, however, was down by HK$23 million to HK$2.8 million (2008: HK$25.8 million).

During the year under review, selling expenses were HK$8.3 million (2008: HK$29.7 million), decreased by 72.1%. Less promotion expenses were required as Shanghai Cannes has already built up its goodwill through the previous advertising campaigns aiming at the sales of Phase I to Phase IV A. Most of the properties sold during the year were via the Group's sales team rather than external sales agents as in the past.

Administrative expenses together with net exchange gain during the year were HK$50 million (2008: HK$106.9 million) which were down by 53.2% over 2008. The decrease was mainly attributed to the exchange loss of HK$38.7 million in 2008 arising from the appreciation of RMB during the conversion of US$ to RMB by our subsidiaries in the PRC, such exchange loss did not recur in 2009. On the contrary, the Group experienced a net exchange gain on the receipt of a receivable of HK$8.2 million owing to the appreciation of RMB.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank borrowings and the fixed rate senior notes (the "Note") issued in April 2007. During the year, finance costs incurred were wholly capitalized on various projects (2008: HK$206.8 million).

The changes in fair value of investment properties were HK$12,076.5 million (2008: HK$17.2 million). As the economy and property market recovered in the PRC during 2009, fair values of investment properties increased for the year. Fair value of investment properties in Shanghai experienced an increase of HK$11,325.9 million (2008: decrease of HK$1,109.7 million). Starting from January 1, 2009, the Group's investment properties under construction are measured in fair value at the end of the reporting period, given that the fair value of investment properties under construction can be reliably determinable. In this regard, certain investment properties under construction in Shanghai Concord City were stated at its fair value at the year end date. Increase in fair value of such was HK$168.3 million. Fair value of investment properties in Chongqing experienced an increase of HK$750.6 million (2008: HK$1,126.9 million). Of which HK$553.2 million was contributed by the land bank in Chongqing acquired by the Group during the year.

Income tax expense was HK$3,167.4 million (2008: HK$210 million), an increase of 1,408.3%. The Group's effective income tax rate was 24.8% (2008: 25.5%). The significant increase in income tax expenses was mainly due to the deferred tax expenses as a result of the favourable changes in fair value of investment properties for the year.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowing when appropriate. During the year, the Group rolled-over a bank loan of approximately HK587.9 million and raised net new bank loans totaling approximately HK$896 million in the PRC. The Group also obtained advance from a shareholder of approximately HK$196.3 million.

As at the statement of financial position date, the Group's senior notes, bank loans and amount due to a shareholder amounted to approximately HK$2,295.3 million, HK$1,485.8 million and HK$364.3 million respectively, and the Group's total borrowings were HK$4,145.4 million, an increase of HK$1,109 million when compared to December 31, 2008. All borrowings are repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at December 31, 2009 was 12.51%, determined as proportion of the Group's net borrowings (after deducting bank balances and bank deposits) to the shareholder's funds.

With cash in hand and banking facilities available, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

On March 10, 2009, the Group entered into share transfer agreements with an independent third party for the disposal of the entire interest in Chongqing Promate Real Estate Co., Ltd ("Chongqing Promate"), a wholly owned subsidiary established in the PRC, for a total consideration of approximately HK$207.9 million. The share transfer agreement was completed during the year.

Save as the above-mentioned, there was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

As at the statement of financial position date, approximately 55.4% of the Group's borrowings were in US$ with the balance in RMB and HK$. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in HK$, US$ and RMB.

The bank borrowings are principally on a floating rate basis while the senior notes are on a fixed rate basis.

The functional currency of the respective group entities is RMB, the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

CHARGE ON ASSETS

As at the statement of financial position date, certain subsidiaries of the Group pledged assets with an aggregated carrying value of HK$16,304.8 million (December 31, 2008: HK$1,685.6 million) to secure bank loan facilities utilized.

CONTINGENT LIABILITIES

As at the statement of financial position date, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$588.6 million (December 31, 2008: HK$1,409.2 million). During the year, there was no default case. The guarantees were secured by the Group's pledged bank deposits of HK$9.1 million (December 31, 2008: HK$15.7 million).

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2009, the Group had approximately 288 employees (2008: 294 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately HK$35 million (2008: HK$38.7 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George, aged 76
Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the United States of America. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 60
Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed). Mr. Wong also served on the board of Yaohan International Holdings Limited (in liquidation) from May 1997 when PCH acquired approximately a 19.867% stake in that company.

Xu Li Chang (徐禮昌), aged 70
Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing（重慶大學）(formerly The Chongqing Institute of Civil Engineering and Architecture)（重慶建築工程學院）and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 60

Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. Mr. Kwan served in various positions with Merrill Lynch & Co. Inc. from 1982 to 1993, including as president of the Asia-Pacific Region. Mr. Kwan is currently the president of Morrison & Company Limited, a business consultancy firm; a non-executive director of JF Household Furnishings Limited; an independent non-executive director of Hutchison Telecommunications International Limited (also listed on the New York Stock Exchange), Soundwill Holdings Limited, Hutchison Harbour Ring Limited, SPG Land (Holdings) Limited and Win Hanverky Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange. Mr. Kwan is currently also an independent non-executive director of Henderson Sunlight Asset Management Limited, which manages the Sunlight Real Estate Investment Trust, and the units are listed on the Main Board of the Stock Exchange. Mr. Kwan was an independent non-executive director of Great World Company Holdings Limited (formerly known as TS Telecom Technologies Limited) until January 2008, shares of which are listed on the Growth Enterprise Market of the Stock Exchange. He is also an executive director of Pacific Concord Holding Limited (de-listed), Concord Land Development Company Limited (de-listed) and was a director of Yaohan International Holdings Limited (in liquidation) from May 1997 when PCH acquired approximately a 19.867% stake in that company. From 2002 to 2005, he was a director of Winsan (Shanghai) Industrial Co. Ltd., a company which is listed on the Shanghai Stock Exchange.

Mr. Kwan was previously an executive or a non-executive director of China Medical and Bio Science Limited until May 2008, shares of which are listed on the Growth Enterprise market of the Stock Exchange. China Medical and Bio Science Limited is a company incorporated in the Cayman Islands and registered under part XI of the Companies Ordinance which is principally engaged in the development and distribution of animal feed supplements and veterinary drugs. Provisional liquidators have been appointed to that company on December 3, 2008.

Mr. Kwan holds a Bachelor Degree of Accountancy (Honours) from the University of Singapore. He is a member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Mr. Kwan completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 70

Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee of the Company. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a fellow member of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, and is the executive chairman of Gondwana Resources Limited, an Australian-listed mining company.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Luk Koon Hoo (陸觀豪), aged 58
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of another three companies publicly listed in Hong Kong, namely, Computime Group Limited, Hung Hing Printing Group Limited and Wheelock Properties Limited. He is also a non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of the Barristers Disciplinary Tribunal Panel and a non-official member of the Operations Review Committee of ICAC. He also served as a vice-president of the Hong Kong Institute of Bankers, a member of the Hong Kong Broadcasting Authority, a member of the Advisory Committee to the Securities and Futures Commission and a member of the Hong Kong Securities and Futures Appeals Tribunal Panel. In the past, Mr. Luk served as the deputy chairman of the Finance Committee of the Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes and the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government and Statistics Advisory Board. He was an appointed member of the Hong Kong Legislative Council from October 1992 to September 1995, and also a member of the first Election Committee of the Legislative Council. Mr. Luk resigned as a director of HK Applied Science & Technology Research Institute Company Limited in August 2009. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 60
Mr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Willinge is a fellow member of the Australian Institute of Company Directors and the Hong Kong Institute of Directors. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (now known as "The Securities Institute of Australia") in 1995. Mr. Willinge had served a director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. Mr. Willinge was a director, Information Technology, for the Sydney Olympic Games 2000. He also serves as an Adjunct Professor of Business Studies at Curtin University of Technology in Australia. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector. In Hong Kong, Mr. Willinge serves as a member of the General Management Committee of the Hong Kong Management Association and an independent non-executive director of JF Household Furnishings Limited, shares of which are listed on the Main Board of the Stock Exchange. Mr. Willinge was an independent non-executive director of China Medical and Bio Science Limited for the period from September 2004 to October 2008, a company listed on the Growth Enterprise market of the Stock Exchange with provisional liquidator appointed on December 3, 2008. Mr. Willinge was also an independent non-executive director of Canton Property Investment Limited, a company incorporated in British Virgin Island with its shares previously listed on AIM of the London Stock Exchange which have been cancelled from trading since March 13, 2009. Provisional liquidators have been appointed to that Company on June 26, 2009, and Mr. Willinge had resigned on November 5, 2008.

Cheng Chaun Kwan, Michael (鄭燦焜), aged 79
Mr. Cheng was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee of the Company. Mr. Cheng is currently the joint managing director of See Won Properties (BVI) Limited, a company incorporated in the British Virgin Islands, principally engaged in property investment and development in Macau. Mr. Cheng was the executive director of Sino Land Company Ltd., a company of which shares are listed on the Main Board of the Hong Kong Stock Exchange in 1987 and retired as director at the end of 1998. Prior to that, Mr. Cheng was the executive director of Henderson Investment Ltd., (formerly Wing Tai Development Co. Ltd.), a company of which shares are also listed on the Main Board of the Hong Kong Stock Exchange, for the period from 1981 to 1987. Mr. Cheng was the chief executive responsible for the listing of Sino Hotels (Holdings) Limited in 1995 on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants in the U.K.

Wu Zhi Gao (吳志高), aged 65
Mr. Wu was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee of the Company. Mr. Wu is a retired lecturer and property development consultant. He holds a Bachelor Degree in Mathematics from Fudan University, Shanghai. Prior to joining the Group, he held senior academic positions at the Huadong University （華東師範大學） and Shanghai Education Institute （上海教育學院） and focused on teaching marketing, which included researches on sales and marketing of property development projects. Between 1998 to 2004, Mr. Wu served as the vice principal at the Huadong University. During that period, he also assisted in the development of a residential property project for the Huadong University. For the period from 1996 to 1997, Mr. Wu also served as a vice president for Shanghai Pingan Xinlun Property Development Co. Ltd.（上海平安欣侖物業發展有限公司）, a company providing construction, leasing and sales of office premises, as well as property management services, to the Shanghai Education Institute.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

SENIOR MANAGEMENT

Chan Kwok Wai, aged 56
Head of Shopping Streets and Retail Properties Department. Mr. Chan has more than 20 years of experience in property development. He previously held senior positions in major international property consultancy firms and property development firms. Mr. Chan has participated in several commercial development projects. Mr. Chan is a licentiate member of the Chartered Institute of Building and an associate member of the Institute of Engineers and Technicians.

Wong Ke Qui, aged 43
Head of Chongqing Retail Properties Department. Mr. Wong has more than 15 years of experience in leasing and marketing management in the PRC and Thailand. He obtained a degree in Business Administration from the University of Nevada-Reno, USA.

Lee Ming Ting, Michele, aged 42
Head of Shanghai Retail Properties Department. Ms. Lee has more than 16 years of experience in leasing, marketing and shopping centre management. She obtained a Master degree and a Bachelor degree in Law.

Alan Zhang, aged 45
Head of Shanghai Sales Department. Mr. Zhang has over 15 years of experience in the property markets of New Zealand and the PRC. He has worked as a project manager in New Zealand for 6 years. He obtained his master degree in Computer Science from South China University of Technology.

Hsieh Chen Sen, aged 46
Head of Project Management Department. Dr. Hsieh has diversified experience in project management in Taiwan and the PRC. He obtained a Master degree of Environment Engineering and a Doctoral degree in Civil Engineering from Polytechnic Univeristy in New York, USA.

Suen Zhi Peng , aged 38
Project Manager of Project Management Department. Mr. Suen has more than 10 years of experience in project management. He obtained a degree in Marketing, and a diploma in Real Estate Management from the Shanghai University of Finance and Economics.

Yip Chun Man, aged 38
Head of Design Department. Mr. Yip has more than 14 years of experience in design management in Hong Kong and the United States of America. He obtained a degree in Architecture from the University of California, and is a registered architect of the U.S.

Kong Tai Herng, aged 45
Head of Design Department. Mr. Kong has more than 20 years' design and project management experience in various large scale composite property development projects in the PRC and Singapore. He obtained a degree in Architecture from the University of Tennessee, U.S.A.

Li Chong Hua, aged 35
Head of Property Management Department. Mr. Li has more than 10 years of property management experience for large scale residential and retail properties. He obtained a diploma in Business Management from the Guizhou Business College.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Fan Jian Ping, aged 42
Head of Shanghai Project Management Department. Ms. Fan obtained a bachelor degree in Industrial Economics from the Shanghai University of Finance and Economics.

Lai Siu Hung, aged 44
Qualified Accountant and Head of Corporate Accounting Department. Mr. Lai has over 20 years of experience in auditing, finance and accounting field, and has worked for an international accounting firm for ten years. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Lai also holds a Master Degree in Business Administration from the University of South Australia.

Yu Ling Ling, aged 44
Company Secretary. Ms. Yu has over 16 years of experience in the company secretarial aspect. She is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Xiao Li Yuan, aged 39
Head of Management Accounts Department. Ms. Xiao obtained a bachelor degree in International Economics from Nankai University in Tianjin.

Yi Min, aged 37
Head of Shanghai Accounting Department. Ms. Yi has over 15 years of accounting and auditing experience. She obtained a Master degree in Business Administration from the University of Management Technology in the United States, and is a registered Accountant in the PRC.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, a successful business growth, balancing of business risk and enhancing of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout 2009 and up to the date of this report, the Company has fully complied with all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") except the Board held two regular meetings during the year ended December 31, 2009 instead of four meetings as required by the Code Provision A.1.1. The reason for holding only two meetings is that executive directors and management of the Company consider that there is no material matter that need to bring to the attention of the Board immediately. As a result, circulation of written resolutions are considered to be sufficient to keep all directors informed throughout the year.

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises nine members with three executive directors, one non-executive director and five independent non-executive directors (the "INEDs"). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman & Chairman of Remuneration Committee)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith *(Chairman of Audit Committee)*
Mr. Cheng Chaun Kwan, Michael *(Member of Audit Committee)*
Mr. Luk Koon Hoo *(Member of Audit Committee & Member of Remuneration Committee)*
Mr. Garry Alides Willinge *(Member of Audit Committee & Member of Remuneration Committee)*
Mr. Wu Zhi Gao *(Member of Audit Committee)*

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2009 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Company has received from each INED a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors (including non-executive director) of the Company are currently appointed with specific terms for 2 years commencing from February 23, 2009, which are also subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company's circular contains detailed information of the directors standing for re-election.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board aims to meet in person or by means of electronic communication, at least 4 times a year, if necessary, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit and remuneration Committees during the year ended December 31, 2009 is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2009 Annual Report.

Meeting attendance during the year ended December 31, 2009 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Dr. Wang Shih Chang, George	2/2	N/A	1/1
Mr. Wong Sai Chung	1/2	N/A	N/A
Mr. Xu Li Chang	0/2	N/A	N/A
Mr. Kwan Kai Cheong	2/2	2/2	N/A
Mr. Warren Talbot Beckwith	2/2	2/2	N/A
Mr. Cheng Chaun Kwan, Michael	2/2	2/2	N/A
Mr. Luk Koon Hoo	2/2	2/2	1/1
Mr. Garry Alides Willinge	2/2	2/2	1/1
Mr. Wu Zhi Gao	2/2	2/2	N/A

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

The Company established an Audit Committee comprising 5 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statement and report, and to consider any significant or unusual items raised by the corporate accounting department or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including anti-fraud) and risk management system and associated procedures.

During the year ended December 31, 2009, the Audit Committee met twice to review the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast) and compliance procedures, to review the effectiveness based on report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results and continuing connected transactions for the year ended December 31, 2009 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2009 and up to the date of this report, the Remuneration Committee met once to review the remuneration package of directors and senior management (including granting of share options and bonus to employees and reviewing service contract of each director).

The remuneration of the directors for the year ended December 31, 2009 was set out in note 12 to the consolidated financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2009 and up to the date of this report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. In addition, the Group has exercised risk management procedures to identify and prioritise risks for the business to be addressed by management.

During the year ended December 31, 2009, the Board has conducted a review of the effectiveness of the system of internal control of the Group and is satisfied with the scope and effectiveness of the system.

The Board also carry out a review to consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and its training programmes and budget during the year ended December 31, 2009.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2009.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 32 and 33.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2009 are set out below:

	Year ended December 31, 2009 HK$'000
Services rendered	
— Audit services	2,618
— Non-audit services	—
	2,618

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmans of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2009 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

During the year ended December 31, 2009 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Kunshan Option, the Bejing Concord Option, the Beijing Cannes Option and the General Option (collectively the "Options")

During the year ended December 31, 2009 and up to the date of this report, except the Kunshan Option and the Beijing Concord Option, no options for the acquisition of the properties under the Beijing Cannes Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Cannes Option and the General Option and decided that it is not the appropriate time for the Company to exercise these two options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

The Kunshan Option previously granted to Mr. Wong had automatically lapsed in accordance with the terms of the Kunshan Option Agreement as Mr. Wong had ceased to have an interest in the Kunshan International City project. Please refer to the Company's announcement dated August 18, 2009 for further details.

For the Beijing Concord Option, the INEDs are considering whether the Company should exercise this option. The Independent Board Committee (the "IBC") had been formed on April 13, 2010 to consider whether to approve the exercise of the Beijing Concord Option and an Independent Financial Advisor would be appointed to advise the IBC.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2009 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under Options.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2009 are set out in the consolidated statement of comprehensive income on page 34.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEVELOPMENT IN PROGRESS

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated statement of comprehensive income, amounted to HK$12,076,515,000.

The Group has applied the amendment to HKAS 40 prospectively from January 1, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's costs incurred for construction of investment properties for rental purpose classified as development in progress of approximately HK$3,281,575,000 stated at cost as at January 1, 2009 was transferred to investment properties and carried at cost.

During the year, the addition of investment properties under construction of the Group amounted to approximately HK$243,719,000.

Details of these and other movements during the year in property, plant and equipment, investment properties and development in progress of the Group are set out in notes 15, 17 and 18 to the consolidated financial statements respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for each of the five years ended December 31, 2009 is set out on page 92.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 93 to 94.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2009 are set out in the consolidated statement of changes in equity on page 37.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2009 were as follows:

	HK$'000
Share premium	**7,978,564**
Accumulated losses	**(592,017)**
	7,386,547

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive director:

Mr. Kwan Kai Cheong

Independent non-executive directors:

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Each of the executive directors has entered into a service agreement with the Company for another term of two years commencing February 23, 2009.

In accordance with article 87 of the Company's Articles of Association, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2009, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at December 31, 2009, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,350,000,000 shares	74.62%	(i)

Note:

(i) These shares are held directly by Hillwealth Holdings Limited ("Hillwealth") whose entire issued capital is held by Mr. Wong.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(ii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iii)

Notes:

(ii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iii) As Hillwealth owns 74.62% and being the substantial shareholder of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2009, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at December 31, 2009, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements. No share option was granted and outstanding for the year ended December 31, 2009 and December 31, 2008.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 33 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 35 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2009 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2009, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

Continuing connected transaction

Office rental and other charges

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between Marnav Holdings Limited (an independent third party) of one part, and Frank Union Limited ("Frank Union") (an associate of Mr. Wong) and the Group of the other part. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011.

On the same date, a sharing agreement (the "Sharing Agreement") was entered into between Frank Union and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the Tenancy Agreement and Sharing Agreement proportional to the area used; and (ii) the rent and service fee are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers, the Directors consider the terms of the Tenancy Agreement and Sharing Agreement to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The Directors are of the view that the transactions under the Tenancy Agreement and Sharing Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, an amount of HK$3,134,000 and HK$43,000 was paid and payable for the office rental and office premises expenses respectively in relation to the use of the principal place of business of the Company in Hong Kong.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions in relation to the office rental and office premises expenses of the Group. The auditor has reported the factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the prospectus dated February 9, 2007 issued by the Company ("Prospectus").

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2009 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 18.35% and 74.24% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2009, the Group had approximately 288 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately HK$35 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 23 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

DONATIONS

During the year, the Group made charitable donations amounting to HK$83,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, April 13, 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 91, which comprise the consolidated statement of financial position as at December 31, 2009, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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 judgment, 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 and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 Group as at December 31, 2009 and of its 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, April 13, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	8	**1,286,850**	1,746,024
Cost of sales		**(626,515)**	(763,324)
Gross profit		**660,335**	982,700
Other income	8	**98,162**	36,858
Selling expenses		**(8,253)**	(29,735)
Administrative expenses		**(58,236)**	(68,224)
Net exchange gain (loss)		**8,195**	(38,682)
Finance costs	9	**—**	(75,660)
		700,203	807,257
Changes in fair value of investment properties		**12,076,515**	17,200
Profit before taxation		**12,776,718**	824,457
Income tax expense	10	**(3,167,397)**	(210,016)
Profit for the year attributable to the owners of the Company	11	**9,609,321**	614,441
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**71,150**	1,076,714
Total comprehensive income for the year attributable to the owners of the Company		**9,680,471**	1,691,155
Earnings per share — Basic (HK dollar)	14	**5.31**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**71,722**	74,742
Prepaid lease payments	16	**88,721**	90,931
Investment properties	17	**38,864,650**	22,084,161
Development in progress	18	**—**	3,281,575
Pledged bank deposits	19	**16,536**	—
		39,041,629	25,531,409
Current assets			
Properties under development for sales	20	**2,324,384**	1,821,343
Properties held for sales, at cost	21	**321,037**	1,182,189
Trade and other receivables, deposits and prepayments	22	**169,027**	318,626
Pledged bank deposits	19	**9,067**	41,521
Bank balances and cash	19	**550,872**	305,017
		3,374,387	3,668,696
Current liabilities			
Other payables and accruals	23	**485,242**	677,369
Amount due to a shareholder	24	**364,343**	163,503
Deposits received on sales of properties		**536,980**	976,153
Tax payable		**569,386**	526,830
Bank loans, secured — due within one year	25	**—**	587,903
		1,955,951	2,931,758
Net current assets		**1,418,436**	736,938
Total assets less current liabilities		**40,460,065**	26,268,347
Non-current liabilities			
Bank loans, secured — due after one year	25	**1,485,766**	—
Fixed rate senior notes	26	**2,295,324**	2,285,033
Deferred tax liabilities	27	**8,142,983**	5,127,793
		11,924,073	7,412,826
Net assets		**28,535,992**	18,855,521

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2009

	NOTE	**2009** **HK$'000**	2008 HK$'000
Capital and reserves			
Share capital	28	**180,907**	180,907
Share premium and reserves		**28,355,085**	18,674,614
Total equity		**28,535,992**	18,855,521

The consolidated financial statements on pages 34 to 91 were approved and authorized for issue by the board of directors on April 13, 2010 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Special reserve HK$'000 (Note a)	Other reserve HK$'000 (Note b)	General reserve HK$'000 (Note c)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At January 1, 2008	189,686	1,647,348	6,410	778,662	2,455,562	47,408	917,586	11,399,388	17,442,050
Profit for the year	—	—	—	—	—	—	—	614,441	614,441
Exchange differences arising on translation to presentation currency	—	—	—	—	—	—	1,076,714	—	1,076,714
Total comprehensive income for the year	—	—	—	—	—	—	1,076,714	614,441	1,691,155
Dividend paid	—	(59,953)	—	—	—	—	—	—	(59,953)
Shares repurchased	(8,779)	(208,952)	—	—	—	—	—	—	(217,731)
	(8,779)	(268,905)	—	—	—	—	—	—	(277,684)
At December 31, 2008	180,907	1,378,443	6,410	778,662	2,455,562	47,408	1,994,300	12,013,829	18,855,521
Profit for the year	—	—	—	—	—	—	—	9,609,321	9,609,321
Exchange differences arising on translation to presentation currency	—	—	—	—	—	—	71,150	—	71,150
Total comprehensive income for the year	—	—	—	—	—	—	71,150	9,609,321	9,680,471
Transfer to general reserve	—	—	—	—	—	4,125	—	(4,125)	—
Release of exchange reserve upon disposal of a subsidiary	—	—	—	—	—	—	(5,928)	5,928	—
At December 31, 2009	180,907	1,378,443	6,410	778,662	2,455,562	51,533	2,059,522	21,624,953	28,535,992

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganization ("Corporate Reorganization") to rationalize the Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganization.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") the subsidiaries established in the PRC shall set aside 10% of their net profit to the general reserve before the distribution of the net profit each year. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	NOTE	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**12,776,718**	824,457
Adjustments for:			
Net gain from change in fair value of held for trading investments		**—**	(7,566)
Amortization of prepaid lease payments		**50**	50
Depreciation of property, plant and equipment		**3,252**	3,106
Changes in fair value of investment properties		**(12,076,515)**	(17,200)
Finance costs		**—**	75,660
Interest income		**(2,797)**	(25,828)
Gain on disposal of a subsidiary		**(12,836)**	—
Loss on disposal of property, plant and equipment		**—**	4
Operating cash flows before movements in working capital		**687,872**	852,683
Increase in properties under development for sales		**(349,362)**	(885,306)
Decrease in properties held for sales		**671,440**	588,703
Decrease in trade and other receivables, deposits and prepayments		**101,120**	350,964
Decrease in other payables and accruals		**(190,548)**	(38,987)
Decrease in deposits received on sales of properties		**(442,273)**	(1,082,070)
Increase in held for trading investments		**—**	7,566
Cash from (used in) operations		**478,249**	(206,447)
PRC taxes paid		**(88,316)**	(167,259)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**389,933**	(373,706)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,114)**	(7,850)
Additions to prepaid lease payments		**—**	(87,377)
Additions to investment properties		**(1,199,189)**	(559,536)
Additions to development in progress		**—**	(1,062,765)
Decrease in pledged bank deposits		**16,050**	17,280
Interest received		**2,797**	25,828
Proceeds from disposal of property, plant and equipment		**36**	875
Disposal of a subsidiary	34	**207,857**	—
NET CASH USED IN INVESTING ACTIVITIES		**(974,563)**	(1,673,545)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	2009 **HK$'000**	2008 HK$'000
FINANCING ACTIVITIES		
Payments on repurchase of shares	**—**	(217,731)
Interest paid	**(264,527)**	(235,630)
Dividend paid	**—**	(59,953)
New bank loans raised	**975,388**	113,058
Repayments of bank loans	**(79,392)**	(303,728)
Repayment to a shareholder	**(336,573)**	—
Advance from a shareholder	**532,855**	163,503
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**827,751**	(540,481)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**243,121**	(2,587,732)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**305,017**	2,872,722
Effect of foreign exchange rate changes	**2,734**	20,027
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**550,872**	305,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on the Stock Exchange. Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Wong. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 36.

The functional currency of the Company and the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

New and revised HKFRSs affecting the reported results and/or financial position

Amendments to HKAS 40 Investment property

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). In the past, the costs for construction of investment properties for rental purpose and properties for future owner-occupied purpose, were classified as development in progress and carried at cost less any identified impairment losses, while the leasehold land under and held for construction for rental purpose was classified as an investment property and was measured under fair value model.

The Group has applied the amendment to HKAS 40 prospectively from January 1, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's costs incurred for construction of investment properties for rental purpose classified as development in progress of approximately HK$3,281,575,000 stated at cost as at January 1, 2009 was transferred to investment properties and carried at cost. The directors of the Company determine that at January 1, 2009, the fair values of these investment properties under construction are not reliably determinable because the construction of the investment properties were in a preliminary stage, their fair values are not able to be measured reliably. Subsequently as at December 31, 2009, the fair value of certain of the Group's investment properties under construction (of approximately HK$674,784,000 stated at cost) was reliably determinable, and was transferred to investment properties and measured at fair value, with the fair value gain of approximately HK$168,307,000 and related deferred tax expense of approximately HK$42,077,000. The directors of the Company, based on the advice of independent valuers, are of the opinion that the fair values of the remaining investment properties under construction carried at cost of approximately HK$2,859,660,000 as at December 31, 2009 are not reliably determinable because the construction of the investment properties are still in a preliminary stage. As a result, the investment properties under construction of approximately HK$2,859,660,000 as at December 31, 2009, are measured at cost less impairment until either their fair values become reliably determinable or constructions complete, whichever is earlier.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[5]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instrument[6]

1 Effective for annual periods beginning on or after July 1, 2009.
2 Effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
3 Effective for annual periods beginning on or after January 1, 2011.
4 Effective for annual periods beginning on or after February 1, 2010.
5 Effective for annual periods beginning on or after January 1, 2010.
6 Effective for annual periods beginning on or after July 1, 2010.
7 Effective for annual periods beginning on or after January 1, 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of 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 disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value at consideration received or receivable.

Revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business is recognized when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, and the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectibility of related receivables is reasonably assumed. Deposits and instalments received from purchasers on properties sold prior to the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from properties under operating leases is recognized in the consolidated statement of comprehensive income on a straight-line basis over the terms of the relevant leases.

Service income is recognized when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease term. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction. Starting from January 1, 2009, investment properties under construction are measured at fair value at the end of the reporting period, provided that the fair value of investment properties under construction are reliably determinable. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognized in profit or loss in the period in which they arise.

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realizable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realizable value takes into account the price ultimately expected to be realized, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalized according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sales.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties held for sales

Properties held for sales are stated at the lower of cost and net realizable value.

Financial instruments

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

Financial assets

The Group's financial assets are classified as financial assets held for trading and loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest is recognized on an effective interest basis for debt instruments.

Financial assets held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets held for trading (continued)

Financial assets held for trading are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those held for trading, are assessed for indicators of impairment at the end of each of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, fixed rate senior notes, other payables and accruals and amount due to a shareholder are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments and hedging

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contacts are not measured at fair value with changes in fair value recognized in profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in other comprehensive income is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 recognized as an expense immediately.

Where 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the entities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the exchange reserve).

Retirement benefits costs

Payments to the defined contribution retirement benefit schemes and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimate of fair value of investment properties

As described in note 17, investment properties were mainly revalued as at December 31, 2009 on a residual method by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the valuation, the Group's management has made estimates concerning current prices and rental yield for potential sales proceeds and rental income to be generated by the completed investment properties and made deductions for the estimated development costs and required estimated development profits from the investment properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties may be significantly affected.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of properties under development for sales and properties held for sales

Properties under development for sales and properties held for sales are stated at the lower of the cost and net realizable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realizable value is estimated selling price less selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price that arising from any changes to the market conditions in the PRC, there may be impairment loss recognized on the properties under development for sales and properties held for sales.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. Significant judgement is required determining the amount of land appreciation and its related taxes. The Group recognizes these liabilities based on management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 25 and 26, cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payments of dividends, new share issues, shares buy-backs and the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**644,362**	537,668
Financial liabilities		
Amortized cost	**4,630,675**	3,713,808

Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, pledged bank deposits, bank borrowings, trade and other receivables, other payables and accruals, amount due to a shareholder and fixed rate senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain bank balances, fixed rate senior notes and amount due to a shareholder which are denominated in Hong Kong dollars and United States dollars as disclosed below. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. A significant depreciation/appreciation in the RMB against United States dollars ("USD") and Hong Kong dollars ("HKD") may have a material impact on the Group's results.

As at the end of the reporting period, certain financial assets and financial liabilities of the Group were denominated in HKD or USD which is the currency other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HKD		USD	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Bank balances and cash	**15,799**	204,403	**194,384**	32,346
Fixed rate senior notes	**—**	—	**2,295,324**	2,285,033
Amount due to a shareholder	**—**	93,626	**—**	—

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Foreign currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to HKD and USD and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2008: 5%) change in foreign currency rates. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit when RMB strengthen 5% against USD and HKD for the current year. For a 5% weakening of RMB against USD and HKD, there would be an equal and opposite impact on the post-tax profit.

	HKD impact		USD impact	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the year	**(790)**	(6,709)	**105,050**	112,634

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details). The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits and fixed rate senior notes (see note 26 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option for the fixed rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 1% (2008: 1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Since all the Group's finance costs of HK$11,143,000 (2008: HK$4,409,000) relating to its variable-rate bank borrowings had been capitalized in investment properties under construction and properties under development for sales, the Group had no exposure to interest rates to its post-tax profit for the year.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at December 31, 2009						
Other payables and accruals	**N/A**	**485,242**	**—**	**—**	**485,242**	**485,242**
Amount due to a shareholder	**N/A**	**364,343**	**—**	**—**	**364,343**	**364,343**
Variable-rate bank borrowings	**5.910%**	**87,826**	**1,606,851**	**—**	**1,694,677**	**1,485,766**
Fixed rate senior notes	**9.125%**	**213,525**	**3,054,123**	**—**	**3,267,648**	**2,295,324**
Financial guarantee contracts	**N/A**	**588,646**	**—**	**—**	**588,646**	**—**
		1,739,582	**4,660,974**	**—**	**6,400,556**	**4,630,675**
As at December 31, 2008						
Other payables and accruals	N/A	677,369	—	—	677,369	677,369
Amount due to a shareholder	N/A	163,503	—	—	163,503	163,503
Variable-rate bank borrowings	5.940%	595,365	—	—	595,365	587,903
Fixed rate senior notes	9.125%	213,525	854,100	2,411,955	3,479,580	2,285,033
Financial guarantee contracts	N/A	1,409,230	—	—	1,409,230	—
		3,058,992	854,100	2,411,955	6,325,047	3,713,808

6. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity tables (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk

As at December 31, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 29.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

For properties that are still under construction, the Group typically provides guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value

The fair values of financial assets and liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values except for the fixed rate senior notes of which the fair value is disclosed in note 26.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from January 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. As a result, following the adoption of HKFRS 8, the identification of the Group's operating segments has changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

7. SEGMENT INFORMATION (CONTINUED)

In prior years, segment information reported externally was analysed on the basis of the Group's principal business activities (i.e. property development and property investment). However, the information reported to the Group's Chief Executive Officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses more specifically on the operating locations of each principal business activity. The principal locations are Shanghai and Chongqing in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

Property development (developing and selling of properties)	—	Shanghai
	—	Chongqing
Property investment (leasing of investment properties)	—	Shanghai
	—	Chongqing

Others (hotel operation, provision of building management and construction consultancy service)

Information regarding the above segments is presented below. Amounts reported for the prior year have been restated to conform to the requirement of HKFRS 8.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

For the year ended December 31, 2009

	Property development		Property investment				
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue							
External sales	**1,266,408**	**—**	**18,687**	**—**	**1,755**	**—**	**1,286,850**
Inter-segment sales	**—**	**—**	**—**	**—**	**16,996**	**(16,996)**	**—**
Total	**1,266,408**	**—**	**18,687**	**—**	**18,751**	**(16,996)**	**1,286,850**
Inter-segment sales are charged at prevailing market rates.							
Segment profit (loss)	**639,257**	**—**	**11,340,701**	**750,566**	**(883)**	**—**	**12,729,641**
Other income							**98,162**
Unallocated expenses							**(51,085)**
Profit before taxation							**12,776,718**

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended December 31, 2008

	Property development		Property investment				
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue							
External sales	1,711,465	—	26,682	—	7,877	—	1,746,024
Inter-segment sales	—	—	—	—	321,674	(321,674)	—
Total	1,711,465	—	26,682	—	329,551	(321,674)	1,746,024
Inter-segment sales are charged at prevailing market rates.							
Segment profit (loss)	929,799	—	(1,089,445)	1,126,854	(1,064)	—	966,144
Other income							36,858
Unallocated expenses							(102,885)
Finance costs							(75,660)
Profit before taxation							824,457

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by (loss from) each segment including the changes in fair value of investment properties without allocation of other income, finance costs, certain selling expenses, central administrative expenses and directors' salaries. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment which is also the information presented to the Group's Chief Executive Officer:

	2009 HK$'000	2008 HK$'000
Property development		
— Shanghai	**715,042**	1,297,852
— Chongqing	**1,992,947**	1,513,159
Property investment		
— Shanghai	**35,150,465**	23,614,204
— Chongqing	**3,714,185**	1,751,532
Others	**4,344**	3,886
Segment total	**41,576,983**	28,180,633
Unallocated assets	**839,033**	1,019,472
Consolidated assets	**42,416,016**	29,200,105
Property development		
— Shanghai	**249,066**	1,525,513
— Chongqing	**668,961**	—
Property investment		
— Shanghai	**8,625**	5,934
Others	**28,514**	26,358
Segment total	**955,166**	1,557,805
Unallocated liabilities	**12,924,858**	8,786,779
Consolidated liabilities	**13,880,024**	10,344,584

For the purposes of monitoring segment performances and allocating resources between segments:

- segment assets comprise of certain property, plant and equipment, investment properties, development in progress, properties under development for sales, properties held for sales and trade receivables that can be identified to a particular operating segment.

- all liabilities are allocated to operating segments other than certain other payables and accruals, amount due to a shareholder, bank loans, fixed rate senior notes, and current and deferred tax liabilities which are corporate liabilities that are unallocated either.

7. SEGMENT INFORMATION (CONTINUED)

Other segment information

For the year ended December 31, 2009

	Property development		Property investment					
	Shanghai HK$'000	Chongqing HK$'000	Shanghai HK$'000	Chongqing HK$'000	Others HK$'000	Segment total HK$'000	Adjustments HK$'000 (note a)	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	11,325,949	750,566	—	12,076,515	—	12,076,515
Additions to non-current assets (note b)	—	—	124,787	1,206,413	539	1,331,739	1,575	1,333,314
Depreciation of property, plant and equipment	—	—	1,517	—	1,209	2,726	2,603	5,329
Amortization of prepaid lease payments	—	—	—	—	2,446	2,446	50	2,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

7. SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

For the year ended December 31, 2008

	Property development		Property investment					
	Shanghai HK$'000	Chongqing HK$'000	Shanghai HK$'000	Chongqing HK$'000	Others HK$'000	Segment total HK$'000	Adjustments HK$'000 (note a)	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	(1,109,654)	1,126,854	—	17,200	—	17,200
Additions to non-current assets (note b)	—	—	1,105,769	612,346	87,919	1,806,034	7,308	1,813,342
Depreciation of property, plant and equipment	—	—	1,498	—	1,022	2,520	2,084	4,604
Amortization of prepaid lease payments	—	—	—	—	1,313	1,313	50	1,363
Loss on disposal of property, plant and equipment	—	—	—	—	4	4	—	4

Note a: All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than certain additions to non-current assets and depreciation of property, plant and equipment and amortization of prepaid lease payments which are related to unallocated assets commonly used between segments or used for corporate operation.

Note b: Non-current assets include the investment properties, property, plant and equipment, prepaid lease payments and development in progress.

Geographical information

All revenue of the Group are derived from the PRC.

All non-current assets of the Group, excluding financial instruments, are located in the PRC (group entity's country of domicile).

7. SEGMENT INFORMATION (CONTINUED)

Information about major customer

There was no single customer accounted for over 10% of total revenue of the Group for the years ended December 31, 2009 and 2008.

8. REVENUE AND OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Revenue		
Sales of residential properties	**1,266,408**	1,711,465
Property rental income	**18,687**	26,682
Property management income	**1,755**	7,877
	1,286,850	1,746,024
Other income		
Reversal of other payables and accruals	**76,630**	—
Gain on disposal of a subsidiary (Note 34)	**12,836**	—
Interest on bank deposits	**2,797**	25,828
Net gain from change in fair value of held for trading investments	**—**	7,566
Others	**5,899**	3,464
	98,162	36,858
Total income	**1,385,012**	1,782,882

9. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**51,002**	58,663
Effective interest expense on fixed rate senior notes	**223,816**	223,816
Total finance costs	**274,818**	282,479
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(274,818)**	(206,819)
	—	75,660

Borrowing costs capitalized during the year arose on the specific borrowings.

10. INCOME TAX EXPENSE

	2009	2008
	HK$'000	HK$'000
Current tax		
Enterprise income tax in the PRC	**113,000**	108,127
Land appreciation tax ("LAT") in the PRC	**58,447**	93,430
	171,447	201,557
Deferred tax (note 27)		
Current year	**2,995,950**	8,459
	3,167,397	210,016

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Jingan Concord"), Shanghai Minhang Concord Property Development Co., Ltd. ("Minhang Concord") and Shanghai Yingduoli Property Management Company Limited ("Property Management Co"), is 25% from January 1, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Shanghai Baili Construction Management and Consultancy Company Limited ("Construction Management Co") is exempted from PRC enterprise income tax for two financial years starting from April 4, 2005 (date of its establishment), followed by a 50% reduction for the next three years. Construction Management Co is subject to tax rate of 12.5% for both years in 2008 and 2009.

10. INCOME TAX EXPENSE (CONTINUED)

Pursuant to the letters issued by the relevant PRC tax authority on July 25, 2006, Shanghai Zhengtian Construction Management and Consultancy Company Limited ("Construction Consultancy Co"), under article 8 of "Rule of the PRC on Enterprises Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment for Foreign Enterprise" (中華人民共和國外商投資企業和外國企業所得稅法實施細則), is exempted from PRC enterprise income tax for two financial years, starting from the first profit making year, followed by a 50% reduction for the next three years, provided that more than 50% of the revenue of Construction Consultancy Co is generated from productive services pursuant to the "Notice in respect of the Preferential Tax Treatment applicable to Foreign Investment Enterprise which engages in both Productive and Non-Productive Services" (國家稅務總局關於外商投資企業兼營生產性和非生產性業務如何享受稅收優惠問題的通知). The first profit making year of Construction Consultancy Co is 2006. Construction Consultancy Co is subject to tax rate of 12.5% in 2008 and 2009.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

On June 28, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**12,776,718**	824,457
Tax at PRC enterprise income tax rate of 25% (2008: 25%)	**3,194,180**	206,114
Tax effect of expenses not deductible for tax purpose	**3,124**	1,703
Tax effect of income not taxable for tax purpose	**(68,965)**	(6,457)
LAT	**58,447**	93,430
Tax effect of LAT	**(14,612)**	(23,358)
Income tax at concessionary rate	**(4,777)**	(61,416)
Income tax for the year	**3,167,397**	210,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

11. PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**1,530**	1,530
Other staff costs	**33,516**	37,120
Total staff costs	**35,046**	38,650
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(16,874)**	—
Less: Amount capitalized in development in progress and properties under development for sales	**—**	(15,913)
	18,172	22,737
Auditor's remuneration	**2,618**	2,774
Amortization of prepaid lease payments	**2,496**	1,363
Less: Amount capitalized in investment properties under construction	**(2,446)**	—
Less: Amount capitalized in development in progress	**—**	(1,313)
	50	50
Depreciation of property, plant and equipment	**5,329**	4,604
Less: Amount capitalized in investment properties under construction	**(2,077)**	—
Less: Amount capitalized in development in progress	**—**	(1,498)
	3,252	3,106
Loss on disposal of property, plant and equipment	**—**	4
Cost of properties sold (included in cost of sales)	**619,398**	752,311
Compensation to purchasers of properties (included in administrative expenses)	**473**	4,676
Gross rental income from investment properties	**(18,687)**	(26,682)
Less: Direct operating expenses from investment properties that generated rental income during the year	**3,935**	6,473
	(14,752)	(20,209)

12. DIRECTORS' EMOLUMENTS

Directors' emoluments

	2009 HK$'000	2008 HK$'000
Fees	**1,254**	1,254
Salaries and allowances	**276**	276
	1,530	1,530

The emoluments paid to the directors were as follows:

For the year ended December 31, 2009

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors:					
Dr. Wang Shih Chang, George	—	—	—	—	—
Mr. Wong	—	—	—	—	—
Mr. Xu Li Chang	—	276	—	—	276
	—	276	—	—	276
Non-executive director:					
Mr. Kwan Kai Cheong	240	—	—	—	240
Independent non-executive directors:					
Mr. Warren Talbot Beckwith	240	—	—	—	240
Mr. Cheng Chaun Kwan, Michael	240	—	—	—	240
Mr. Luk Koon Hoo	240	—	—	—	240
Mr. Garry Alides Willinge	240	—	—	—	240
Mr. Wu Zhi Gao	54	—	—	—	54
	1,014	—	—	—	1,014
	1,254	276	—	—	1,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

12. DIRECTORS' EMOLUMENTS (CONTINUED)

Directors' emoluments (continued)

For the year ended December 31, 2008

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors:					
Dr. Wang Shih Chang, George	—	—	—	—	—
Mr. Wong	—	—	—	—	—
Mr. Xu Li Chang	—	276	—	—	276
	—	276	—	—	276
Non-executive director:					
Mr. Kwan Kai Cheong	240	—	—	—	240
Independent non-executive directors:					
Mr. Warren Talbot Beckwith	240	—	—	—	240
Mr. Cheng Chaun Kwan, Michael	240	—	—	—	240
Mr. Luk Koon Hoo	240	—	—	—	240
Mr. Garry Alides Willinge	240	—	—	—	240
Mr. Wu Zhi Gao	54	—	—	—	54
	1,014	—	—	—	1,014
	1,254	276	—	—	1,530

12. DIRECTORS' EMOLUMENTS (CONTINUED)

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director for both years, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2008: five) were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and allowances	**4,458**	4,957
Retirement benefit scheme contributions	**103**	99
	4,561	5,056

Their emoluments were within the following bands:

	2009 **Number of employees**	2008 Number of employees
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**2**	3
	5	5

During both years, no remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

13. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividend recognized as distribution during the year — Nil (2008: 2007 final dividend of HK3.2 cents per share)	—	59,953

No dividend was paid or declared during 2009, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	9,609,321	614,441

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,809,077	1,855,895

There was no diluted earnings per share as there were no potential ordinary shares outstanding during the year and as at the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000 (Note)	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At January 1, 2008	57,149	12,653	45	13,589	8,386	91,822
Exchange adjustments	3,425	759	2	800	490	5,476
Additions	—	5,386	—	799	1,665	7,850
Disposals	—	—	—	(5,801)	(299)	(6,100)
At December 31, 2008	60,574	18,798	47	9,387	10,242	99,048
Exchange adjustments	192	60	—	29	32	313
Additions	—	410	—	1,203	501	2,114
Disposals	—	—	—	(40)	—	(40)
At December 31, 2009	60,766	19,268	47	10,579	10,775	101,435
DEPRECIATION						
At January 1, 2008	7,144	3,414	45	9,115	3,752	23,470
Exchange adjustments	444	212	2	557	238	1,453
Provided for the year	1,498	602	—	1,154	1,350	4,604
Disposals	—	—	—	(5,219)	(2)	(5,221)
At December 31, 2008	9,086	4,228	47	5,607	5,338	24,306
Exchange adjustments	30	15	—	20	17	82
Provided for the year	1,518	865	—	1,413	1,533	5,329
Disposals	—	—	—	(4)	—	(4)
At December 31, 2009	10,634	5,108	47	7,036	6,888	29,713
CARRYING VALUES						
At December 31, 2009	50,132	14,160	—	3,543	3,887	71,722
At December 31, 2008	51,488	14,570	—	3,780	4,904	74,742

Note: On initial recognition, the leasehold land was classified as investment properties carried at fair value. The leasehold land was subsequently transferred to property, plant and equipment during the year ended December 31, 2003.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	4.5%
Office equipment, furniture and fixtures, and motor vehicles	18%–19%
Leasehold improvements	Over the remaining term of the land lease on which the buildings are located

Certain of the Group's leasehold land with a net book value of approximately HK$24,579,000 (2008: Nil) were pledged to secure certain banking facilities granted to the Group.

The leasehold land is located in the PRC under medium-term lease.

16. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments comprises land use rights in the PRC as follows:

	2009	2008
	HK$'000	HK$'000
Long lease	**714**	762
Medium-term lease	**88,007**	90,169
	88,721	90,931

17. INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
AT FAIR VALUE		
Completed properties held for rental purpose		
At the beginning of the year	**1,770,492**	1,751,467
Exchange adjustments	**6,668**	103,221
Transfer from development in progress	**—**	16,348
Transfer from leasehold land under and held for construction of properties for rental purpose	**—**	25,360
Net changes in fair value recognized in profit or loss	**1,059,894**	(125,904)
At the end of the year	**2,837,054**	1,770,492
Leasehold land under and held for construction of properties for rental purpose and investment properties under construction		
At the beginning of the year	**20,313,669**	18,524,800
Exchange adjustments	**75,381**	1,111,589
Additions	**1,087,481**	559,536
Transfer to properties held for rental purpose	**—**	(25,360)
Transfer from investment properties under construction carried at cost	**674,784**	—
Net changes in fair value recognized in profit or loss	**11,016,621**	143,104
At the end of the year	**33,167,936**	20,313,669
Sub-total	**36,004,990**	22,084,161
AT COST		
Investment properties under construction		
At the beginning of the year	**—**	—
Transfer from development in progress	**3,281,575**	—
Exchange adjustments	**9,150**	—
Additions	**243,719**	—
Transfer to investment properties under construction carried at fair value	**(674,784)**	—
At the end of the year	**2,859,660**	—
Total	**38,864,650**	22,084,161

17. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties at December 31, 2009 were arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Valuation Advisory Services (HK) Ltd. ("C&W") (2008: Jones Lang Lasalle Sallmanns Limited ("Jones Lang")) in respect of the properties situated in Shanghai, the PRC, and Colliers International (Hong Kong) Limited ("Colliers") in respect of the properties situated in Chongqing, the PRC. C&W and Colliers are independent qualified professional valuers not connected with the Group, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The fair value of investment properties in Shanghai determined by C&W (2008: Jones Lang) is HK$32,462,085,000 (2008: HK$20,385,438,000) as at December 31, 2009. The fair value of investment properties in Chongqing determined by Colliers is HK$3,542,905,000 (2008: HK$1,698,723,000). The valuation methods were mainly based on residual method by making reference to recent sales transactions of completed properties or rental yield as available in the relevant market to determine the potential sales proceeds or rental income of the completed investment properties and deducting the development costs and required profits from the investment properties, which are derived from the interpretation of prevailing investor requirements or expectations. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

In determining the fair values of the investment properties located in Shanghai, C&W (2008: Jones Lang) has adopted the discounted cash flow method and residual method with the following key assumptions:

a. Annual growth rate of rental income is ranging from 4% to 6% (2008: ranging from 3% to 7%)

b. Occupancy rate for the investment properties is ranging from 80% to 95% (2008: ranging from 60% to 95%)

c. Expected developer profit is ranging from 10% to 20% (2008: ranging from 15% to 16%)

d. Discount rate is ranging from 4% to 9% (2008: ranging from 5% to 9%)

e. Rental rate per month per square metre is ranging from HK$169 to HK$1,240 (2008: ranging from HK$138 to HK$772)

In determining the fair values of investment properties located in Chongqing, Colliers has adopted the residual method with the following key assumptions:

a. Expected developer profit margin is 15% (2008: 15%)

b. Discount rate is 6% (2008: 8%)

17. INVESTMENT PROPERTIES (CONTINUED)

The carrying value of investment properties shown above situated on leasehold land in the PRC as follows:

	2009 **HK$'000**	2008 HK$'000
Long lease	**4,037,371**	2,968,106
Medium-term lease	**34,827,279**	19,116,055
	38,864,650	22,084,161

As at December 31, 2009, certain of the Group's investment properties under construction carried at cost with a carrying vaue of approximately HK$440,900,000 (2008: Nil) were pledged to secure certain banking facilities granted to the Group.

As at December 31, 2009, certain of the Group's investment properties (excluding investment properties under construction carried at cost) with a carrying value of approximately HK$14,817,614,000 (2008: HK$1,356,902,000) were pledged to secure certain banking facilities granted to the Group.

All the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at December 31, 2009, the Group obtained four (2008: one) out of six (2008: five) State-owned Land Use Rights Certificates for Chongqing projects sites. The Group was in the process of obtaining the remaining two (2008: four) State-owned Land Use Rights Certificates. The carrying amounts of the prepaid lease payments, investment properties and properties under development for sales which relate to these remaining two (2008: four) State-owned Land Use Rights Certificates amounted to approximately HK$84,304,000 (2008: HK$86,264,000), HK$3,255,075,000 (2008: HK$1,698,722,000) and HK$129,743,000 (2008: HK$1,397,817,000) respectively.

18. DEVELOPMENT IN PROGRESS

	2009 HK$'000	2008 HK$'000
At cost		
At the beginning of the year	3,281,575	2,003,481
Exchange adjustments	—	135,863
Additions	—	1,158,579
Transfer to investment properties	(3,281,575)	(16,348)
At the end of the year	—	3,281,575

The Group has applied the amendment to HKAS 40 prospectively from January 1, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's costs incurred for construction of investment properties for rental purpose classified as development in progress of approximately HK$3,281,575,000 stated at cost as at January 1, 2009 was transferred to investment properties and carried at cost.

19. PLEDGED BANK DEPOSITS AND BANK BALANCES

The following bank deposits have been pledged to secure:

	2009 HK$'000	2008 HK$'000
Bank loans of the Group	16,536	25,829
Bank loans procured by the purchasers of the Group's properties (Note 29)	9,067	15,692
	25,603	41,521

As at December 31, 2009, pledged bank deposits with an aggregate amount of HK$16,536,000 were pledged to secure bank loans due after one year of HK$510,378,000. The pledged bank deposits of HK$16,536,000 as at December 31, 2009 were classified as non-current. As at December 31, 2008, pledged bank deposits with an aggregated amount of HK$25,829,000 were pledged to secure short-term bank loans of HK$587,903,000.

The pledged bank deposits carry effective interest rates which range from 0.36% to 1.71% (2008: 0.36% to 1.88%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Bank balances carry interest at market rates which range from 0.01% to 0.25% (2008: 0.01% to 4.35%) per annum.

The aggregate amount of pledged bank deposits, bank balances and cash amounting to approximately HK$366,292,000 (2008: HK$109,788,000) as at December 31, 2009 were denominated in RMB which is not freely convertible into other currencies.

20. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2009 **HK$'000**	2008 HK$'000
At cost		
At the beginning of the year	**1,821,343**	2,046,776
Exchange adjustments	**6,350**	87,368
Additions	**496,691**	999,123
Transfer to properties held for sales	**—**	(1,311,924)
At the end of the year	**2,324,384**	1,821,343
Properties under development for sales of which:		
— expected to be realized within twelve months	**1,839,111**	—
— expected to be realized over twelve months	**485,273**	1,821,343
	2,324,384	1,821,343

As at December 31, 2009, certain of the Group's properties under development for sales with a carrying value of approximately HK$708,008,000 (2008: Nil) were pledged to secure certain banking facilities granted to the Group.

The carrying amount of properties under development for sales is situated on land use rights in the PRC as follows:

	2009 **HK$'000**	2008 HK$'000
Long lease	**170,758**	173,532
Medium-term lease	**2,153,626**	1,647,811
	2,324,384	1,821,343

21. PROPERTIES HELD FOR SALES

As at December 31, 2009, certain of the Group's properties held for sales with a carrying value of approximately HK$288,060,000 (2008: HK$287,148,000) were pledged to secure certain banking facilities granted to the Group.

The properties held for sales will be realized within twelve months.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Consideration in respect of completed properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement date. Consideration in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	2009 HK$'000	2008 HK$'000
Trade receivables	**62,568**	—
Prepayment of business taxes and other PRC taxes	**15,350**	88,988
Other receivables, deposits and prepayments (Note)	**91,109**	229,638
	169,027	318,626

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly. As at December 31, 2009, the amount is neither past due nor impaired and it is either subsequently settled as at the date of this report or without historical default of payments by the respective customers.

	2009 HK$'000	2008 HK$'000
Aged analysis of trade receivables:		
0–60 days	**60,036**	—
Over 60 days	**2,532**	—
	62,568	—

Note: As at December 31, 2008, deposits on purchase of leasehold land of approximately HK$180,893,000 was included in other receivables, deposits and prepayments. The amount was fully refunded during the year ended December 31, 2009.

23. OTHER PAYABLES AND ACCRUALS

	2009 HK$'000	2008 HK$'000
Accruals for construction costs	**367,547**	533,551
Other payables and accruals	**117,695**	143,818
	485,242	677,369

24. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder was non-trade in nature, unsecured, interest-free and repayable on demand.

25. BANK LOANS, SECURED

	2009 HK$'000	2008 HK$'000
The variable-rate bank loans are repayable as follows:		
On demand or within one year	—	587,903
More than one year, but not exceeding five years	1,485,766	—
	1,485,766	587,903
Less: Amount due within one year shown under current liabilities	—	(587,903)
	1,485,766	—

The Group has variable-rate bank loans which carry interest range from the People's Bank of China 1–3 year loan base rate to the People's Bank of China 1–3 year loan base rate multiply by 120%. Interest is repriced every three months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are ranged from 5.40% to 6.48% (2008: 5.94% to 8.31%) per annum.

As at December 31, 2009 and 2008, the Group's bank loans were all denominated in RMB which is the same as the functional currency of the relevant group entities.

26. FIXED RATE SENIOR NOTES

On April 27, 2007, the Company issued approximately US$300 million (approximately HK$2,340,000,000) in aggregate principal amount of the fixed rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at the fixed rate of 9.125% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 9.675% (2008: 9.675%) per annum. Interest on the notes is payable on May 4 and November 4 of each year. The notes will mature on May 4, 2014. The notes are guaranteed by the Company's subsidiaries other than those established under the laws of the PRC.

At any time before May 4, 2011, the Company may redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to May 4, 2010, the Company may redeem up to 35% of the principal amount of the notes using net cash proceeds from certain equity offerings at a redemption price of 109.125% of the principal amount of the notes plus accrued and unpaid interest, if any, to the redemption date.

On or after May 4, 2011, the Company may, at its option, redeem all or part of the notes at the redemption prices equals to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the 12-month period commencing on May 4 of the years indicated below:

12-month period commencing in the year	Percentage
2011	104.56250%
2012	102.28125%
2013 and thereafter	100.00000%

The notes have been listed on the Singapore Exchange Limited since May 4, 2007. The market value of the notes at December 31, 2009 was US$234,125,000 (approximately HK$1,826,176,000) (2008: US$129,750,000 (approximately HK$1,012,050,000)).

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon during the current and prior years:

	Fair value adjustment of investment properties HK$'000	Other temporary differences HK$'000	Total HK$'000
At January 1, 2008	4,745,502	80,511	4,826,013
Exchange adjustments	288,497	4,824	293,321
Charge to profit or loss (Note 10)	4,300	4,159	8,459
At December 31, 2008	5,038,299	89,494	5,127,793
Exchange adjustments	18,751	489	19,240
Charge (credit) to profit or loss (Note 10)	3,019,129	(23,179)	2,995,950
At December 31, 2009	8,076,179	66,804	8,142,983

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalized in investment properties under construction, properties under development for sale and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the two years ended December 31, 2009 and 2008 and at the end of reporting periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to HK$9,609,321,000 (2008: HK$989,072,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

28. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2008, December 31, 2008 and December 31, 2009	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2008	1,896,864,000	189,686
Shares repurchased (Note)	(87,787,000)	(8,779)
At December 31, 2008 and December 31, 2009	1,809,077,000	180,907

Note: During the year ended December 31, 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary share of HK$0.1 each	Price per share		Aggregate consideration
		Highest	Lowest	
	'000			HK$'000
January	8,290	4.42	3.81	34,681
February	6,500	4.30	4.04	27,521
March	8,545	4.15	4.04	35,504
June	300	3.50	3.38	1,039
July	25,135	2.95	2.73	74,415
October	33,820	1.39	0.91	39,650
November	5,107	1.03	0.90	4,839
December	90	0.90	0.90	82
	87,787			217,731

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

29. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

	2009 HK$'000	2008 HK$'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Notes)	**588,646**	1,409,230

Notes:

(a) The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers of the Company and completion of the registration of the mortgage with the relevant mortgage registration authorities. In the opinion of the directors, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated statement of financial position.

(b) The guarantees were secured by the Group's pledged deposits of HK$9,067,000 (2008: HK$15,692,000).

30. OTHER COMMITMENTS

	2009 HK$'000	2008 HK$'000
Construction commitment contracted for but not provided in respect of property, plant and equipment and investment properties	**450,571**	164,957

31. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 HK$'000	2008 HK$'000
Within one year	**22,107**	10,575
In the second to fifth year inclusive	**49,811**	30,757
	71,918	41,332

The properties are expected to generate rental yields of average 0.05% (2008: 0.12%) on an ongoing basis. All the properties held have committed tenants from 1 to 5 years.

As lessee

Minimum lease payments paid under operating lease during the year:

	2009 HK$'000	2008 HK$'000
Premises	**3,466**	1,444

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**3,466**	3,466
In the second to fifth year inclusive	**2,022**	5,488
	5,488	8,954

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and fixed for an average term of 3 years.

32. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$20,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately HK$4,666,000 (2008: HK$4,490,000).

33. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

33. SHARE OPTION SCHEMES (CONTINUED)

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No option has been granted since the adoption of the Scheme.

34. DISPOSAL OF A SUBSIDIARY

On March 10, 2009, the Group entered into a share transfer agreement with an independent third party to sell its entire interest in Chongqing Promate Real Estate Co., Ltd ("Chongqing Promate"), a wholly foreign owned enterprise registered in the PRC to the third party for a total consideration of approximately RMB183,395,000 (equivalent to approximately HK$207,860,000). The net assets of Chongqing Promate at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Properties held for sale, at cost	193,001
Other receivables, deposits and prepayments	5,740
Bank balances and cash	3
Other payables and accruals	(3,720)
	195,024
Gain on disposal of a subsidiary	12,836
Total consideration	207,860
Satisfied by:	
Cash consideration	207,860
Net cash inflow arising on disposal:	
Cash consideration received	207,860
Bank balance and cash disposal of	(3)
	207,857

The subsidiary disposed of, Chongqing Promate, did not have any significant impact on the Group's results and cashflows in the current and prior periods.

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For the year ended December 31, 2009

35. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions during the year with the PCH Group:

Nature of transactions	2009 HK$'000	2008 HK$'000
Office premises expenses (Note)	43	1,091

Note: On February 8, 2007, the Group has entered into an office licence agreement with a subsidiary of Pacific Concord Holding Limited ("PCH") (the "Lessor"), which is an associate of Mr. Wong, to share half of all rent, rates, service fee and utility charges of an office premises. The agreement is effective from February 16, 2007 to July 31, 2008. The Group has the right to terminate the agreement on one month's prior notice.

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of PCH and the Group. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

Compensation of key management personnel

The remuneration of the executive directors during the year was set out in note 12.

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors.

36. LIST OF SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2009 and 2008 are as follows:

Name of the company	Country of establishment	Equity interest attributable to the Group as at December 31, 2009	2008	Issued and fully paid registered and paid-up capital as at December 31, 2009	Principal activities
Jingan Concord#	PRC	**100%**	100%	US$68,000,000	Property development and investment
Minhang Concord#	PRC	**100%**	100%	US$99,600,000	Property development and investment
Property Management Co##	PRC	**100%**	100%	RMB500,000	Property management service
Shanghai Shengba Construction Co. Ltd.##	PRC	**100%**	100%	RMB30,000,000	Provision of construction consultancy service
Construction Management Co#	PRC	**100%**	100%	US$500,000	Provision of construction consultancy service
Construction Consultancy Co#	PRC	**100%**	100%	US$500,000	Provision of construction consultancy service
Chongqing Ace Blossom Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
Chongqing Mid-Levels No. 1 Real Estate Co. Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
Chongqing Riverside Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
Chongqing Yangtze-Jialing River Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment

\# Wholly foreign owned enterprises registered in the PRC.

\## A limited liability company registered in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,248,290	903,335	2,002,964	1,746,024	**1,286,850**
Profit before taxation	329,013	415,196	9,633,923	824,457	**12,776,718**
Taxation	(183,672)	(207,701)	(1,699,969)	(210,016)	**(3,167,397)**
Profit for the year	145,341	207,495	7,933,954	614,441	**9,609,321**
Attributable to:					
Owners of the Company	137,899	207,495	7,933,954	614,441	**9,609,321**
Minority interests	7,442	—	—	—	**—**
	145,341	207,495	7,933,954	614,441	**9,609,321**
Earnings per share					
Basic	HK$0.11	HK$0.16	HK$4.51	HK$0.33	**HK$5.31**

ASSETS AND LIABILITIES

	As at December 31,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	15,186,153	16,409,051	28,326,360	29,200,105	**42,416,016**
Total liabilities	(8,598,163)	(9,209,789)	(10,884,310)	(10,344,584)	**(13,880,024)**
	6,587,990	7,199,262	17,442,050	18,855,521	**28,535,992**
Equity attributable to owners of the Company	6,587,990	7,199,262	17,442,050	18,855,521	**28,535,992**

Note: The results of the Group of the year ended December 31, 2005 and the assets and liabilities of the Group as at December 31, 2005 are extracted from the Company's prospectus dated February 9, 2007.

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2009

Properties held by the Group as at December 31, 2009 are as follows:

Location	Type (Notes)	Gross floor area (Square metres)	Effective % held	Stage of completion	Anticipated completion
Portion of Phases 1, 2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	408,777	100	Completed	N/A
Commercial Street and Service Apartment located at No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	293,815	100	Under construction	2010–2012
Portion of Phase 1 of Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	52,794	100	Completed	N/A
The whole of Phase 2 of Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	338,074	100	Construction in progress	2010–2012
Huashan Building West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2012

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2009

Location	Type (Notes)	Gross floor area (Square metres)	Effective % held	Stage of completion	Anticipated completion
Chongqing Global Twin Towers Located at Nan Bin Road Chongqing The PRC	R & C	520,000	100	Under construction	2011–2013
Commercial Street, Manhattan Luxury Residence and Beverly Hills Located at Lijiu Road Chongqing The PRC	R & C	613,311	100	Construction in progress	2010–2011
Chongqing Manhattan City, Villa Zone Located at Lijiu Road Chongqing The PRC	R	550,016	100	Construction	2011–2012
Chongqing Manhattan City, European Type House Zone Located at Lijiu Road Chongqing The PRC	R	477,995	100	Land bank	2012–2013
Chongqing Concord City Located at Jiefangbei Chongqing The PRC	C	400,000	100	Land bank	2011–2013
Golden Tower Located at Lijiu Road Chongqing The PRC	C	571,992	100	Under construction	2011–2012

Notes:

Types of properties: R-Residential, C-Commercial
N/A: Not applicable