China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1838

Annual Report 2010

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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

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

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg.mydyn.net

The strategy of the Group for 2011 will be to focus on sales of flats and not to acquire overpriced land. The reason behind such decision is that with our borrowings of approximately 10%, the expected proceeds from the opportune sales over a hundred billion dollar's worth of construction in progress and projects held for development situated at prime locations in various major cities will translate into net cash inflow. The other reasoning is that: the major cause of the problem of high property prices is in fact the over supply of money. However, the current measures used to tackle this problem are restrictions on home purchases and the swarm of "economically affordable houses". Unless there is any adjustment in these policies, the result of such twofold curb on both demand and supply is crystal clear: the plunge of property prices will be followed by the hard landing of the real estate and related industries as well as the evaporation of the enormous amount of Renminbi bank mortgage loans. Nonetheless, the hot money will still flood the stock market and consumer product market, therefore creating another bubble and stoking inflation. The threat of a general recession of the economy, which is encircled by the external inflation pressure, the collapse of the real estate market and the high inflation in the domestic market, is apparently escalating. After all, this policy is not advisable.

Given the lessons of Hong Kong with its "85,000" housing policy, a devastating effect of the burst of the real estate bubble under such a policy, whether driven by the need to pacify the society or an impulse under pressure, is certainly possible. It is not yet clear whether the real estate market in the mainland will crash in 2012. If so, the Group will be well-prepared with abundant cash to acquire premium land in the centers of first-tier cities for its plans of developing downtown shopping streets in major PRC metropolises and provide exceptional returns to the shareholders.

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 31, 2011

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 People's Republic of China (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, residential, 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's economic growth continued to out-perform other countries in the region. Overall, China's economy grew by 10.3% to RMB39,798 billion during 2010, after two consecutive years of single-digit growth.

The central government has taken various steps since later 2010 to curb the property market. These include raising interest rates and banks' minimum reserve ratio, increasing the minimum down payment required on second homes and restricting foreign home buyers. These measures have slowed growth in the property prices. In December 2010, the lowest year-on-year growth in the year was recorded; yet still stood at 6.4%, according to the nationwide index of property prices across 70 medium-sized cities.

Consumption demand still acts as the major driving force of the local economy. According to government statistics, total retail sales in Mainland China reached approximately RMB16 trillion in 2010, up 18.3% from the same period last year. More than half of the world's top 50 retailers have entered China. Most started by opening stores in Beijing, Shanghai and other coastal cities; while the second- and third-tier cities in Mainland China are attractive for future growth.

The office market especially the Grade A sector in China's major cities sustained strong performance during the second half of 2010, witnessing dramatic gains in both market demand and rents. Strong take-ups were recorded in CBD locations in major cities such as Beijing and Shanghai; the investment market was also active as reflected by the increasing number of en-bloc transactions, with capital values continued to climb at a rapid pace.

Overview of the Shanghai's Property Market

Although the Shanghai municipal government has published the municipal tightening policies during the fourth quarter of 2010, the transaction volume of luxury apartments rebounded from the trough in the past three quarters. Currently, transaction activities have spread to the outskirts of the metropolitan area, with more high-end projects launched around sub-centres of the city. The new supply of luxury apartments in the fourth quarter of 2010 nearly doubled compared to the third quarter. As a result, the average residential prices increased by a slight 1.5% in fourth quarter compared with the previous quarter.

Shanghai prime retail market continued to exhibit buoyant performance towards the end of 2010. The Shanghai retail market experienced robust demand from luxury and mid-market retailers. In view of the scarcity of available space in prime areas, rental quotations continued to increase. Rents for prime ground floor increased by 1.4% compared with the third quarter of 2010, while the overall market vacancy rate remained at a low level of 5.2%.

Shanghai's office market enjoyed a stable performance at the end of year. Shanghai Grade A office market appeared to stabilize after an active performance through the beginning of the year, with new demand and supply providing balance. Grade A office in Pudong maintained steady with a marginal rental increase of 1.6% compared with third quarter of 2010, while the vacancy rate fell to 6.1% from 6.9% in the same quarter.

The infrastructure development in advance of the World Expo is expected to have a positive long-term effect on the office market. Additionally, the gradual recovery of both the global and domestic economies should lead to more companies re-initiating their expansion plans.

Overview of the Chongqing's Property Market

Chongqing remained robust economic performance during the 2010. GDP grew by a faster pace of 17.1% to RMB789 billion during the year, compared to 14.9% in the previous year. Chongqing luxury residential sales market further rallied in the fourth quarter of 2010. The controls on purchasing second house and non-local citizen buyers have impacted on the sales market to some extent. However, the luxury residential sector gathered steam, with sale prices increasing in the fourth quarter of 2010 by 2.4% compared to the third quarter.

The office market maintained good performance in the fourth quarter of 2010. Supported by increasing demand from trading, service and financial sectors, landlords are confident enough to hold rental quotations at a high level despite a relatively low existing occupancy rate. The average rent in fourth quarter of 2010 increased by 1% compared to the third quarter. With the effect of new supply in the market, the overall vacancy rate in fourth quarter of 2010 increased by 2.2% to 19% compared with third quarter.

The prime retail market observed slight adjustments during the fourth quarter of 2010 compared with the previous quarter due to increasing supply. Nevertheless, with increasing local income levels and the entry of new international brands into the local market, the market is expected to grow further. The market will see a lumping supply of 545,000 square metres in 2011, yet rentals are expected to hold firm, underpinned by the renovation and upgrade of existing properties to attract more brands.

Outlook of the Mainland Property Market

Following the recent release of tightening measures, there is growing concern that the government will continue to implement new measures to pre-empt the high property prices, and this would be possible as the central government is very determined to cool down the housing market. Therefore, speculative demand in the residential sector is expected to weaken further. This, coupled with a significant increase in housing supply over the next year, should help stabilizing property prices, particularly in top-tier cities.

However, the market outlook remains positive over the medium term given sustained growth in housing demand and relatively stable supply. With robust economic growth and relatively low urbanization rates, continuous improvement in household income and positive wealth effect would be observed, which in turn would drive solid end-user demand for better quality domestic housing units over the next few years. Given rather limited investment channels in mainland China, it is believed that wealthy households will continue to pour their savings to the domestic residential market, especially with a slight negative real interest rate trend prevailing in the country.

Meanwhile, long-term investment demand is expected to increase in the coming years with the gradual revival of the world's economy. With the tightening macro policies on the residential sector in the short-term, investors may turn their focus on commercial properties which provide stable income stream as well as long-term appreciation ability. Renminbi appreciation is also an important factor to drive foreign investments to Mainland China.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the year amounted to HK$4,478 million (2009: HK$9,609 million) decreased by 53.4% when compared to 2009. The profit before taxation, excluding change in fair value of investment properties, amounted to HK$139 million (2009: HK$700 million), a decrease of 80.1% when compared with last year.

Earnings per share was HK$2.48 (2009: HK$5.31), a decrease of 53.3%, largely in line with the drop in rate of investment property appreciation by 51.2%.

Total assets increased to HK$52,475 million from HK$42,416 million as at December 31, 2009, as the Group continues its investment in premium properties with attendant appreciation in fair values, albeit at a rate lower than last year. Net assets, the equivalent of shareholders' funds, similarly continued to grow to HK$34,286 million (December 31, 2009: HK$28,536 million), reflecting the solid investment value to shareholders. In terms of value per share, net assets value per share is HK$18.95 as at the financial position date, as compared to HK$15.77 as at December 31, 2009.

The Group's revenue of HK$207 million (2009: HK$1,287 million), decreased by 83.9% 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$181 million (2009: HK$1,266 million), decreased by 85.7% as compared with 2009. The Group delivered a gross floor area ("GFA") of approximately 98,000 sq. ft. in 2010 (2009: 1,883,000 sq. ft.), a 94.8% decrease as compared with last year.

Gross profit margin for sales of development properties was 72.9% (2009: 51.1%). The rise was due to current year's sale and delivered of 15,000 sq. ft. (2009: 1,000 sq. ft.) of Phase I of Shanghai Concord City, which is located at West Nanjing Road, a prime location property development with significantly higher gross profit margin than that of Phase IV B of Shanghai Cannes sold and delivered during 2009.

Income from property leasing increased by 26.3% to HK$24 million (2009: HK$19 million). The increase was attributable to the recovery of the global financial crisis. More area were leased out during the year. Property management income was HK$2 million (2009: HK$2 million).

The construction of project located at Lijiu Road, Chongqing with total GFA of approximately 24 million sq. ft. continues. Pre-sales of residential properties were well received, culminating into deposits received on sales of properties increased to HK$2,321 million from a balance of HK$508 million as at December 31, 2009.

Other income, other gain and losses was HK$52 million (2009: HK$106 million), a drop of 50.9%, mainly comprised of net gain from repurchase of senior notes of HK$36 million (2009: nil) and interest from bank deposits of HK$3 million (2009: HK$3 million).

During the year under review, selling expenses were HK$4 million (2009: HK$8 million), decreased by 50.0%. Administrative expenses during the year were HK$62 million (2009: HK$58 million) which increased by 6.9% over 2009. The increase was mainly attributed to more property related expenses and taxes were paid as property development activities reached a higher level during the year.

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. Since all finance costs equivalent to HK$371 million (2009: HK$275 million) were wholly capitalized on various projects, the finance costs charged to the profit and loss are nil. (2009: Nil)

The changes in fair value of investment properties were HK$5,895 million (December 31, 2009: HK$12,077 million; June 30, 2010: HK$7,681 million), a drop of 51.2% and 23.2% respectively. During the year, new real estate tightening measures were launched, culminating to severe hits against the general property market sentiment with effect much more pronounced in the later half of the year as compared to the first half of 2010. Hence the drop in fair value changes were reflected accordingly. However, the underlying demand remains strong which reflects in the increases in property prices, despite a containment of transaction volume during the current year. The World Expo had been successfully held in Shanghai, which benefited local businesses including the retail and office property markets. The changes in fair value of investment properties in Shanghai experienced an increase of HK$3,361 million (2009: HK$11,326 million). Economic performance in Chongqing, which was hailed as the "Chicago on the Yangtze", was also robust. The changes in fair value of investment properties in Chongqing experienced an increase of HK$2,534 million (2009: HK$751 million).

Income tax expense was HK$1,555 million (2009: HK$3,167 million), a decrease of 50.9%. The Group's effective income tax rate was 25.8% (2009: 24.8%). The significant decrease in income tax expenses was in lines with 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 raised net new bank loans totaling of RMB528 million (approximately HK$605 million) in the PRC (2009: HK$896 million), and re-financed US$197 million (equivalent to HK$1,537 million) Note by a bank loan drawdown of same amount but at prevailing market rates, which were lower than that of the Note at a fixed rate of 9.125% p.a..

As at the end of reporting period, the Group's Note, bank loans and amount due to a shareholder amounted to approximately HK$788 million, HK$3,700 million and HK$167 million respectively, and the Group's total borrowings were HK$4,655 million, an increase of HK$510 million when compared to December 31, 2009. HK$683 million is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive as at December 31, 2010.

The gearing ratio of the Group as at December 31, 2010 was 11.2% (2009: 12.6%), 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.

There was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

As at the end of reporting period, approximately 50.1% of the Group's borrowings were in Renminbi ("RMB") with the balance in United states dollars ("US$"). The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in Hong Kong dollars ("HK$"), US$ and RMB.

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

The functional currency of the Company and 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 HK$, 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.

During the year, the Group has complied with all banking covenants.

CHARGE ON ASSETS

As at the end of reporting period, certain subsidiaries of the Group pledged assets with an aggregated carrying value of HK$20,423 million (December 31, 2009: HK$16,296 million) to secure bank loan facilities utilized.

CONTINGENT LIABILITIES

As at the end of reporting period date, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$1,746 million (December 31, 2009: HK$589 million). During the year, there was no default case. The guarantees were secured by the Group's pledged bank deposits of HK$4 million (December 31, 2009: HK$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2010, the Group had approximately 310 employees (2009: 288 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately HK$31 million (2009: HK$35 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.

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George, aged 77
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 61
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).

Xu Li Chang (徐禮昌), aged 71
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 61

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 Harbour Ring Limited, SPG Land (Holdings) Limited, Goldpoly New Energy Holdings Limited and Win Hanverky Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange. He is 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. He is also a non-executive director of Galaxy Resources Limited which is listed in the Australian Securities Exchange.

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 a Fellow of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors. Mr. Kwan completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 71

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 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.

Luk Koon Hoo (陸觀豪), aged 59
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 Computime Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited, shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Wheelock Properties Limited and Octopus Holdings Limited, an 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 Town Planning Board, a member of Witness Protection Review Board Panel and a non-official member of the Operations Review Committee of ICAC. 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 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 61
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 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 as 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.

Cheng Chaun Kwan, Michael (鄭燦焜), aged 80
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 a retired property investment and development, corporate finance and accounting consultant. 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 of the Association of Chartered Certified Accountants in the U.K.

Wu Zhi Gao (吳志高), aged 66
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.

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 44
Head of Chongqing Retail Properties Department. Mr. Wong has more than 15 years of experience in leasing and marketing management in PRC. He obtained a degree in Business Administration from the University of Nevada-Reno, USA.

Alan Zhang, aged 46
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 University in New York, USA.

Suen Zhi Peng, aged 39
Project Manager of Project Management Department. Mr. Suen has more than 12 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.

Kong Tai Herng, aged 46
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 PRC and Singapore. He obtained a degree in Architecture from the University of Tennessee, USA.

Li Chong Hua, aged 36
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.

Fan Jian Ping, aged 43
Head of Shanghai Project Management Department. Ms. Fan obtained a bachelor degree in Industrial Economics from the Shanghai University of Finance and Economics.

Kwan Kit Tong, aged 52
Head of Corporate Accounting Department. Mr. Kwan obtained a bachelor degree in Commerce from the University of Southern Queensland, Australia, and is a Fellow of both the Association of Chartered Certified Accountants, and of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Kwan was the Director — Financial Control of CITIC Pacific Limited in Hong Kong.

Xiao Li Yuan, aged 40
Head of Management Accounts Department. Ms. Xiao obtained a bachelor degree in International Economics from Nankai University in Tianjin.

Yu Ling Ling, aged 45
Company Secretary. Ms. Yu has over 17 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.

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 2010 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").

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 2010 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, 2011, 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. Xu Li Chang, Mr. Garry Alides Willinge and Mr. Wu Zhi Gao 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, 2010 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 2010 Annual Report.

Meeting attendance during the year ended December 31, 2010 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Dr. Wang Shih Chang, George	5/5	N/A	1/1
Mr. Wong Sai Chung	5/5	N/A	N/A
Mr. Xu Li Chang	3/5	N/A	N/A
Mr. Kwan Kai Cheong	5/5	2/2	N/A
Mr. Warren Talbot Beckwith	5/5	2/2	N/A
Mr. Cheng Chaun Kwan, Michael	5/5	2/2	N/A
Mr. Luk Koon Hoo	5/5	2/2	1/1
Mr. Garry Alides Willinge	5/5	2/2	1/1
Mr. Wu Zhi Gao	5/5	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, 2010, 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, 2010 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, 2010 and up to the date of this report, the Remuneration Committee met on April 12, 2010 and March 30, 2011 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, 2010 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, 2010 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 prioritize risks for the business to be addressed by management.

During the year ended December 31, 2010, 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, 2010.

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, 2010.

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 auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2010 are set out below:

	Year ended December 31, 2010 HK$'000
Services rendered	
— Audit services	2,495
— Non-audit services	617
	3,112

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, 2010 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, 2010 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 Beijing Concord Option, the Beijing Cannes Option and the General Option (collectively the "Options")

During the year ended December 31, 2010 and up to the date of this report, no options for the acquisition of the properties under the Beijing Concord Option, the Beijing Cannes Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Concord Option, the Beijing Cannes Option and the General Option and decided that it is not the appropriate time for the Company to exercise these options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2010 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under Options.

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 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, 2010 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 AND INVESTMENT PROPERTIES

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$5,894,501,000.

During the year, the addition of investment properties under construction of the Group amounted to approximately HK$382,404,000.

Details of these and other movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 15 and 17 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, 2010 is set out on page 90.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 91 to 92.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2010 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 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2010 were as follows:

	HK$'000
Share premium	**7,978,564**
Accumulated losses	**(828,819)**
	7,149,745

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, 2011.

In accordance with article 87 of the Company's Articles of Association, Mr. Xu Li Chang, Mr. Garry Alides Willinge and Mr. Wu Zhi Gao 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, 2010, 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, 2010, 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, 2010, 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, 2010, 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 32 to the consolidated financial statements. No share option was granted and outstanding for the year ended December 31, 2010 and December 31, 2009.

On January 17, 2011, 20,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees"), subject to acceptance of each of the Grantees, under the share option scheme adopted by the Company on February 2, 2007. Details are set out in the Company's announcement dated January 17, 2011.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 32 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 34 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, 2010 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2010, 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$3,564,000 and HK$42,000 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his conclusion in respect of the continuing connected transactions disclosed by the Group above have no non-compliance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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, 2010 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

The total sales attributable to the Group's five largest customers accounted for HK$114,973,000, representing 55.5% of the total sales for the year.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 13.9% and 45.1% 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, 2010, the Group had approximately 310 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately HK$31 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.

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, March 31, 2011

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 89, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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 about 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

March 31, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	8	**207,262**	1,286,850
Cost of sales		**(54,970)**	(626,515)
Gross profit		**152,292**	660,335
Other income, other gains and losses	8	**52,144**	106,357
Selling expenses		**(4,288)**	(8,253)
Administrative expenses		**(61,612)**	(58,236)
Finance costs	9	**—**	—
		138,536	700,203
Changes in fair value of investment properties		**5,894,501**	12,076,515
Profit before taxation		**6,033,037**	12,776,718
Income tax expense	10	**(1,555,205)**	(3,167,397)
Profit for the year attributable to the owners of the Company	11	**4,477,832**	9,609,321
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**1,272,196**	71,150
Total comprehensive income for the year attributable to the owners of the Company		**5,750,028**	9,680,471
Earnings per share — Basic (HK dollar)	14	**2.48**	5.31

At December 31, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15	**238,196**	71,722
Prepaid lease payments	16	**161,993**	88,721
Investment properties	17	**47,235,495**	38,864,650
Pledged bank deposits	18	**—**	16,536
		47,635,684	39,041,629
Current assets			
Properties under development for sales	19	**3,413,031**	2,324,384
Properties held for sales, at cost	20	**302,440**	321,037
Trade and other receivables, deposits and prepayments	21	**314,957**	169,027
Pledged bank deposits	18	**12,554**	9,067
Bank balances and cash	18	**796,730**	550,872
		4,839,712	3,374,387
Current liabilities			
Deposits received on sales of properties	22	**2,321,316**	536,980
Other payables and accruals	22	**588,212**	485,242
Amount due to a shareholder	23	**167,189**	364,343
Tax payable		**665,250**	569,386
Bank loans, secured — due within one year	24	**683,321**	—
		4,425,288	1,955,951
Net current assets		**414,424**	1,418,436
Total assets less current liabilities		**48,050,108**	40,460,065
Non-current liabilities			
Bank loans, secured — due after one year	24	**3,016,650**	1,485,766
Fixed rate senior notes	25	**788,402**	2,295,324
Deferred tax liabilities	26	**9,959,036**	8,142,983
		13,764,088	11,924,073
Net assets		**34,286,020**	28,535,992

At December 31, 2010

	NOTE	**2010**	2009
		HK$'000	HK$'000
Capital and reserves			
Share capital	27	**180,907**	180,907
Share premium and reserves		**34,105,113**	28,355,085
Total equity		**34,286,020**	28,535,992

The consolidated financial statements on pages 34 to 89 were approved and authorized for issue by the board of directors on March 31, 2011 and are signed on its behalf by:

DIRECTOR

DIRECTOR

For the year ended December 31, 2010

	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, 2009	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 (Note 33)	—	—	—	—	—	—	(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
Profit for the year	—	—	—	—	—	—	—	4,477,832	4,477,832
Exchange differences arising on translation to presentation currency	—	—	—	—	—	—	1,272,196	—	1,272,196
Total comprehensive income for the year	—	—	—	—	—	—	1,272,196	4,477,832	5,750,028
Transfer to general reserve	—	—	—	—	—	1,482	—	(1,482)	—
At December 31, 2010	180,907	1,378,443	6,410	778,662	2,455,562	53,015	3,331,718	26,101,303	34,286,020

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, 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 may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. 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, 2010

	NOTE	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**6,033,037**	12,776,718
Adjustments for:			
Net gain from repurchase of senior notes		**(35,875)**	—
Amortization of prepaid lease payments		**50**	50
Depreciation of property, plant and equipment		**2,898**	3,252
Changes in fair value of investment properties		**(5,894,501)**	(12,076,515)
Interest income		**(3,200)**	(2,797)
Gain on disposal of a subsidiary		**—**	(12,836)
Loss on disposal of property, plant and equipment		**3**	—
Operating cash flows before movements in working capital		**102,412**	687,872
Increase in properties under development for sales		**(553,646)**	(349,362)
Decrease in properties held for sales		**30,127**	671,440
(Increase) decrease in trade and other receivables		**(116,853)**	101,120
Increase (decrease) in other payables and accruals		**83,419**	(190,548)
Increase (decrease) in deposits received on sales of properties		**1,717,512**	(442,273)
Cash from operations		**1,262,971**	478,249
PRC taxes paid		**(41,108)**	(88,316)
NET CASH FROM OPERATING ACTIVITIES		**1,221,863**	389,933
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,359)**	(2,114)
Additions to investment properties		**(1,109,739)**	(1,199,189)
Decrease in pledged bank deposits		**13,646**	16,050
Interest received		**3,200**	2,797
Proceeds from disposal of property, plant and equipment		**—**	36
Disposal of a subsidiary	33	**—**	207,857
NET CASH USED IN INVESTING ACTIVITIES		**(1,094,252)**	(974,563)

For the year ended December 31, 2010

	2010	2009
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Interest paid	**(321,414)**	(264,527)
New bank loans raised	**2,209,287**	975,388
Repayments of bank loans	**(67,612)**	(79,392)
Repayment to a shareholder	**(205,356)**	(336,573)
Advance from a shareholder	**—**	532,855
Loan raised expenses	**(17,142)**	—
Repurchase of senior notes	**(1,503,806)**	—
NET CASH FROM FINANCING ACTIVITIES	**93,957**	827,751
NET INCREASE IN CASH AND CASH EQUIVALENTS	**221,568**	243,121
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**550,872**	305,017
Effect of foreign exchange rate changes	**24,290**	2,734
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**796,730**	550,872

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 of Hong Kong Limited (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 Sai Chung ("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 People's Republic of China (the "PRC"). The principal activities of its principal subsidiaries are set out in note 35.

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 ("HK$"), 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 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners
HK(IFRIC) — INT 18	Transfers of assets from customers
HK — INT 5	Presentation of financial statements — Classification by borrower of a term loan that contains a repayment on demand clause.

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

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after January 1, 2010. The requirements in HKAS 27 (Revised) ("Consolidated and Separate Financial Statements") in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after January 1, 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements of the Group and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adoptors[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.
2 Effective for annual periods beginning on or after July 1, 2010.
3 Effective for annual periods beginning on or after July 1, 2011.
4 Effective for annual periods beginning on or after January 1, 2013.
5 Effective for annual periods beginning on or after January 1, 2012.
6 Effective for annual periods beginning on or after January 1, 2011.
7 Effective for annual periods beginning on or after February 1, 2010.

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

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending December 31, 2013 and that the application of the new standard will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities based on an analysis of the financial instruments held by the Group as at December 31, 2010.

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may not have significant impact on deferred tax recognized for investment properties that are measured using the fair value model. The directors have considered that their investment properties are able to satisfy the conditions required under the amendments to HKAS to rebut the presumption that the investment properties will be recovered through sales.

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 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.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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 in full on consolidation.

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 satisfied:

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Revenue recognition — continued

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 is recognized when it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset 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 properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

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 (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in 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.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. 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 asset) is included in profit or loss in the period in which the item is derecognized.

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.

Properties held for sales

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

3. SIGNIFICANT ACCOUNTING POLICIES — continued

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

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).

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end 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
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and 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 a trade receivable or 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.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial liabilities and equity instruments

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, other payables and accruals, amount due to a shareholder and fixed rate senior notes 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.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

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 in its entirety, 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 in other comprehensive income and accumulated in equity 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 lease term.

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 by 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 the 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 at that 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Foreign currencies — continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations 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 year, 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 judgments, 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 under construction were mainly revalued at the end of the reporting period using 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. As at December 31, 2010, investment properties under construction of approximately HK$38,646,453,000 (2009: HK$ 33,167,936,000) were revalued using a residual approach.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Estimate of net realizable value of properties under development for sales and properties held for sales

As at December 31, 2010, properties under development for sales of approximately HK$3,413,031,000 (2009: HK$2,324,384,000) and properties held for sales of approximately HK$302,440,000 (2009: HK$321,037,000) 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 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 ("LAT") 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 LAT in the PRC which has been included in income tax of the Group. Significant judgment 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. As at December 31, 2010, the Group has LAT payable of approximately HK$623,756,000 (2009: HK$533,362,000).

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 net debt, which includes the borrowings disclosed in notes 24 and 25, net of 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

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**819,072**	644,362
Financial liabilities		
Amortized cost	**5,243,774**	4,630,675

Financial risk management objectives and policies

The Group's major financial instruments include bank balances, pledged bank deposits, bank borrowings, other receivables, other payables and accrual, 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, bank loans and fixed rate senior notes which are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD") 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 arise. A significant depreciation/appreciation in the RMB against USD and HKD may have a material impact on the Group's results.

6. FINANCIAL INSTRUMENTS — continued

Market risks — continued

Foreign currency risk — continued

As at the end of each reporting period, certain financial assets and financial liabilities of the Group were denominated in HKD and 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**158**	15,799	**4,304**	194,384
Bank loans	**—**	—	**1,536,600**	—
Fixed rate senior notes	**—**	—	**788,402**	2,295,324

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD and the sensitively analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. 5% (2009: 5%) is the sensitivity rate used in 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the year	**(8)**	(790)	**116,035**	105,050

6. FINANCIAL INSTRUMENTS — continued

Market risks — continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 24 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 arise.

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits and fixed rate senior notes (see Note 25 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 need arises. 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% (2009: 1%) increase or decrease is used in management's assessment of the reasonably possible change in interest rates.

If interest rate relating to its variable-rate bank borrowings of the Group increase or decrease by 1%, finance costs would increase or decrease by approximately HK$27,750,000 (2009: HK$11,143,000). Since all the Group's finance costs had been capitalized in investment properties under construction and properties under development for sales, there would be no effect on the Group's post-tax profit for the year.

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.

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.

6. FINANCIAL INSTRUMENTS — continued

Liquidity risk — continued

Liquidity tables

	Weighted average interest rate	On demand or less than 1 year	Between 1–2 years	Between 2–5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at December 31, 2010						
Other payables and accruals	**N/A**	**588,212**	**—**	**—**	**588,212**	**588,212**
Amount due to a shareholder	**N/A**	**167,189**	**—**	**—**	**167,189**	**167,189**
Variable rates bank borrowings	**5.723%**	**865,880**	**1,049,291**	**2,200,978**	**4,116,149**	**3,699,971**
Fixed rate senior notes	**9.125%**	**73,029**	**73,029**	**898,503**	**1,044,561**	**788,402**
Financial guarantee contracts	**N/A**	**1,745,712**	**—**	**—**	**1,745,712**	**—**
		3,440,022	**1,122,320**	**3,099,481**	**7,661,823**	**5,243,774**
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 rates bank borrowings	5.910%	87,826	572,480	1,034,371	1,694,677	1,485,766
Fixed rate senior notes	9.125%	213,525	213,525	2,840,598	3,267,648	2,295,324
Financial guarantee contracts	N/A	588,646	—	—	588,646	—
		1,739,582	786,005	3,874,969	6,400,556	4,630,675

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.

6. FINANCIAL INSTRUMENTS — continued

Credit risk

As at December 31, 2010, 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 28.

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.

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 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 25.

7. SEGMENT INFORMATION

The Company's Chief Executive Officer is the chief operating decision maker. The Group is principally operating in two operating locations of three principal business activities. Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses 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.

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, 2010

	Property development		Property investment			
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
External sales	**180,839**	**—**	**24,356**	**—**	**2,067**	**207,262**
Segment profit (loss)	**131,648**	**(1,987)**	**3,381,380**	**2,533,383**	**(1,920)**	**6,042,504**
Other income						**47,655**
Unallocated expenses						**(57,122)**
Profit before taxation						**6,033,037**

7. SEGMENT INFORMATION — continued

Segment revenue and results — continued

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

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:

	2010 HK$'000	2009 HK$'000
Segment assets		
Property development		
— Shanghai	**704,981**	715,042
— Chongqing	**3,013,118**	1,992,947
Property investment		
— Shanghai	**39,967,703**	35,150,465
— Chongqing	**7,267,792**	3,714,185
Others	**333,478**	4,344
Segment total	**51,287,072**	41,576,983
Unallocated assets	**1,188,324**	839,033
Consolidated assets	**52,475,396**	42,416,016
Segment liabilities		
Property development		
— Shanghai	**320,066**	334,554
— Chongqing	**4,006,862**	2,628,756
Property investment		
— Shanghai	**989,979**	819,134
— Chongqing	**1,934,363**	925,298
Others	**31,268**	28,514
Segment total	**7,282,538**	4,736,256
Unallocated liabilities	**10,906,838**	9,143,768
Consolidated liabilities	**18,189,376**	13,880,024

7. SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

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

- all assets are allocated to operating segments, other than certain property, plant and equipment, certain prepaid lease payments, other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash which are commonly used among segments or used for corporate operation.

- all liabilities are allocated to operating segments other than certain other payables and accruals, amount due to a shareholder and current and deferred tax liabilities which are corporate liabilities that are unallocated either. Fixed-rate senior notes and banks loans are allocated on a consistent basis with finance costs capitalized. The net gains from repurchase of senior notes as a result of financing activities conducted centrally by the corporate office was not allocated to respective operating segments as it was not attributable to their operations.

Other segment information

For the year ended December 31, 2010

	Property development		Property investment					
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Segment total	Adjustments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	3,361,118	2,533,383	—	5,894,501	—	5,894,501
Additions to non-current assets (Note b)	—	—	160,534	1,193,582	—	1,354,116	1,359	1,355,475
Depreciation of property, plant and equipment	—	—	—	—	1,814	1,814	2,898	4,712
Amortization of prepaid lease payments	—	—	—	—	2,474	2,474	50	2,524

7. SEGMENT INFORMATION — continued

Other segment information — continued

For the year ended December 31, 2009

	Property development		Property investment			Segment		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	total	Adjustments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note a)	HK$'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:

(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.

(b) Non-current assets include the investment properties, property, plant and equipment and prepaid lease payments.

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

Revenue from major customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2010 HK$'000	2009 HK$'000
Customer A (Note)#	**105,991**	N/A

Note: The corresponding revenue in 2009 did not contribute over 10% of the total revenue of the Group.

\# Revenue from property development — Shanghai segment.

8. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Revenue		
Sales of residential properties	**180,839**	1,266,408
Property rental income	**24,356**	18,687
Property management income	**2,067**	1,755
	207,262	1,286,850
Other income, other gains and losses		
Net gain from repurchase of senior notes (Note)	**35,875**	—
Others	**8,580**	5,899
Net exchange gain	**4,489**	8,195
Interest on bank deposits	**3,200**	2,797
Reversal of other payables and accruals	**—**	76,630
Gain on disposal of a subsidiary (Note 33)	**—**	12,836
	52,144	106,357
Total revenue, other income, other gains and losses	**259,406**	1,393,207

Note: The expenses directly attributable to the repurchase of senior notes amounted to approximately HK$21,863,000.

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**132,836**	51,002
Effective interest expense on fixed rate senior notes	**238,479**	223,816
Total finance costs	**371,315**	274,818
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(371,315)**	(274,818)
	—	—

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

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Current tax		
Enterprise income tax in the PRC	**21,977**	113,000
LAT in the PRC	**64,630**	58,447
	86,607	171,447
Deferred tax (Note 26)		
Current year	**1,468,598**	2,995,950
	1,555,205	3,167,397

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% for both years.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from PRC enterprise income tax for two financial years starting from date of its establishment or first profit making year, followed by a 50% reduction for the next three years. These PRC subsidiaries are still subjected to 50% reduction in normal tax rate of 25% for both 2009 and 2010. These PRC subsidiaries are inactive for the years ended December 31, 2010 and 2009.

10. INCOME TAX EXPENSE — continued

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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years in 2009 and 2010.

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:

	2010 **HK$'000**	2009 HK$'000
Profit before taxation	**6,033,037**	12,776,718
Tax at PRC enterprise income tax rate of 25%	**1,508,259**	3,194,180
Tax effect of expenses not deductible for tax purpose	**7,874**	3,124
Tax effect of income not taxable for tax purpose	**(8,969)**	(68,965)
LAT	**64,630**	58,447
Tax effect of LAT	**(16,157)**	(14,612)
Income tax at concessionary rate	**(432)**	(4,777)
Income tax for the year	**1,555,205**	3,167,397

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 12)	**1,530**	1,530
Other staff costs		
— salaries and other benefits	**25,753**	28,850
— contributions to retirement benefits schemes	**4,059**	4,666
Total staff costs	**31,342**	35,046
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(12,982)**	(16,874)
	18,360	18,172
Auditor's remuneration	**3,112**	2,618
Amortization of prepaid lease payments	**2,524**	2,496
Less: Amount capitalized in construction in progress under property, plant and equipment	**(2,474)**	(2,446)
	50	50
Depreciation of property, plant and equipment	**4,712**	5,329
Less: Amount capitalized in construction in progress under property, plant and equipment	**(1,814)**	(2,077)
	2,898	3,252
Loss on disposal of property, plant and equipment	**3**	—
Cost of properties sold (included in cost of sales)	**48,984**	619,398
Compensation to purchasers of properties (included in administrative expenses)	**—**	473
Gross rental income from investment properties	**(24,356)**	(18,687)
Less: Direct operating expenses from investment properties that generated rental income during the year	**4,093**	3,935
	(20,263)	(14,752)

12. DIRECTORS' EMOLUMENTS

Directors' emoluments

	2010 HK$'000	2009 HK$'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, 2010

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000 (Note)	Retirement benefits scheme contribution HK$'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

Directors' emoluments — continued

For the year ended December 31, 2009

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000 (Note)	Retirement benefits scheme contribution HK$'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

Note: The performance related incentive payment is determined by reference to the individual performance of the directors and approved by the remuneration committee.

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 (2009: five) were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and allowances	**3,970**	4,458
Retirement benefit scheme contributions	**103**	103
	4,073	4,561

Their emoluments were within the following bands:

	2010 **Number of employees**	2009 Number of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**2**	2
	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.

13. DIVIDENDS

No dividend was paid or declared during 2010 and 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:

	2010	2009
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**4,477,832**	9,609,321

	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,809,077**	1,809,077

No diluted earnings per share is presented 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$'000	Construction in progress HK$'000	Total HK$'000
COST							
At January 1, 2009	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
Exchange adjustments	2,296	749	1	392	407	—	3,845
Additions	—	728	—	320	311	—	1,359
Transfer from investment properties under construction (Note 17)	—	—	—	—	—	167,216	167,216
Disposals	—	—	—	(4)	—	—	(4)
At December 31, 2010	63,062	20,745	48	11,287	11,493	167,216	273,851
DEPRECIATION							
At January 1, 2009	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
Exchange adjustments	443	218	1	288	281	—	1,231
Provided for the year	1,535	895	—	1,089	1,193	—	4,712
Disposals	—	—	—	(1)	—	—	(1)
At December 31, 2010	12,612	6,221	48	8,412	8,362	—	35,655
CARRYING VALUES							
At December 31, 2010	50,450	14,524	—	2,875	3,131	167,216	238,196
At December 31, 2009	50,132	14,160	—	3,543	3,887	—	71,722

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 except for construction in progress are depreciated on a straight-line basis at the following rates per annum:

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

Certain of the Group's leasehold land and construction in progress with a net book value of approximately HK$24,735,000 (2009: HK$24,579,000) and HK$56,847,000 (2009: Nil) were pledged to secure certain banking facilities granted to the Group respectively.

The leasehold land and buildings are situated 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:

	2010 **HK$'000**	2009 HK$'000
Long lease	**689**	714
Medium-term lease	**161,304**	88,007
	161,993	88,721

17. INVESTMENT PROPERTIES

	2010 **HK$'000**	2009 HK$'000
AT FAIR VALUE		
Completed properties held for rental purpose		
At the beginning of the year	**2,837,054**	1,770,492
Exchange adjustments	**105,120**	6,668
Net changes in fair value recognized in profit or loss	**(76,425)**	1,059,894
At the end of the year	**2,865,749**	2,837,054
Leasehold land under and held for construction of properties for rental purpose and investment properties under construction		
At the beginning of the year	**33,167,936**	20,313,669
Exchange adjustments	**1,433,001**	75,381
Additions	**971,712**	1,087,481
Transfer to prepaid lease payments	**(70,600)**	—
Transfer to properties under development for sales (Note 19)	**(202,674)**	—
Transfer from investment properties under construction carried at cost	**—**	674,784
Net changes in fair value recognized in profit or loss	**5,970,926**	11,016,621
At the end of the year	**41,270,301**	33,167,936
Sub-total	**44,136,050**	36,004,990
AT COST		
Investment properties under construction (Note a)		
At the beginning of the year	**2,859,660**	—
Transfer from development in progress (Note b)	**—**	3,281,575
Exchange adjustments	**112,937**	9,150
Additions	**382,404**	243,719
Transfer to construction in progress under property, plant and equipment (Note 15)	**(167,216)**	—
Transfer to properties under development for sales (Note 19)	**(88,340)**	—
Transfer to investment properties under construction carried at fair value	**—**	(674,784)
At the end of the year	**3,099,445**	2,859,660
Total	**47,235,495**	38,864,650

Notes:

a) The amount represents the construction costs for the building portion. The land portion is measured at fair value and grouped under leasehold land under and held for construction of properties for rental purpose and investment properties under construction.

b) The Group 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.

17. INVESTMENT PROPERTIES — continued

The fair values of the Group's investment properties at December 31, 2010 and 2009 were arrived at on the basis of a valuation carried out on those dates by Cushman & Wakefield Valuation Advisory Services (HK) Ltd. ("C&W") (2009: C&W) in respect of the properties situated in Shanghai, the PRC, and C&W (2009: Colliers International (Hong Kong) Limited ("Colliers")) in respect of the properties situated in Chongqing, the PRC. C&W (2009: C&W and Colliers) is an independent qualified professional valuer not connected with the Group, and has 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 is approximately HK$37,172,952,000 (2009: HK$32,462,085,000) as at December 31, 2010. The fair value of investment properties in Chongqing determined by C&W (2009: Colliers) is approximately HK$4,339,250,000 (2009: HK$3,542,905,000). The valuation methods were mainly based on residual approach 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, less estimated costs to completion and expected developed profit margin. 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 July 2010, the Group has acquired a piece of land with total consideration of RMB818,450,000 (equivalent to approximately HK$963,336,000) which was to be developed together with another piece of land already acquired by the Group in prior year and situated next to this new acquisition. As at December 31, 2010, the development plan on this combined land plot has not yet been finalized. As at December 31, 2010, the fair value of these two pieces of land in Chongqing amounted to approximately HK$2,623,848,000 is determined by the directors. The directors have determined that the valuation of these two pieces of land approximated to the fair value of the existing land plot as at December 31, 2009 plus the acquisition cost of the land just acquired during the year of 2010.

For investment properties located in Shanghai

For the year ended December 31, 2010 in determining the fair values of the investment properties located in Shanghai, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is ranging from 3% to 6% (2009: ranging from 4% to 6%)

b. Occupancy rate for the investment properties is ranging from 50% to 98% (2009: ranging from 80% to 95%)

c. Expected developer profit is ranging from 10% to 20% (2009: ranging from 10% to 20%)

d. Discount rate is ranging from 4% to 9% (2009: ranging from 4% to 9%)

e. Rental rate per month per square metre is ranging from HK$187 to HK$1,520 (2009: ranging from HK$169 to HK$1,240)

17. INVESTMENT PROPERTIES — continued

For investment properties located in Chongqing

For the year ended December 31, 2010, in determining the fair values of the investment properties located in Chongqing, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is 4%

b. Occupancy rate for the investment properties is ranging from 60% to 85%

c. Expected developer profit is ranging from 20% to 30%

d. Discount rate is ranging from 6% to 9%

e. Rental rate per month per square meter is ranging from HK$85 to HK$853

For the year ended December 31, 2009, in determining the fair values of the investment properties located in Chongqing, Colliers has adopted the residual approach with the following key assumptions:

a. Expected developer profit margin is 15%

b. Discount rate is 6%

The investment properties shown above are situated on leasehold land in the PRC as follows:

	2010 **HK$'000**	2009 HK$'000
Long lease	**6,040,970**	5,790,533
Medium-term lease	**41,194,525**	33,074,117
	47,235,495	38,864,650

As at December 31, 2010, certain of the Group's investment properties under construction carried at cost with a carrying value of approximately HK$479,697,000 (2009: HK$440,900,000) were pledged to secure certain banking facilities granted to the Group.

As at December 31, 2010, certain of the Group's investment properties (excluding investment properties under construction carried at cost) with a carrying value of approximately HK$17,920,365,000 (2009: HK$14,817,614,000) 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.

17. INVESTMENT PROPERTIES — continued

As at December 31, 2010, the Group obtained four (2009: four) out of seven (2009: six) State-owned Land Use Rights Certificates for Chongqing projects sites. The Group was in the process of obtaining the remaining three (2009: two) 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 three (2009: two) State-owned Land Use Rights Certificates amounted to approximately HK$157,685,000 (2009: HK$84,304,000), HK$5,871,694,000 (2009: HK$3,255,075,000) and HK$386,255,000 (2009: HK$129,743,000) respectively.

18. PLEDGED BANK DEPOSITS AND BANK BALANCES

The following bank deposits have been pledged to secure:

	2010 **HK$'000**	2009 HK$'000
Bank loans of the Group	**8,997**	16,536
Bank loans procured by the purchasers of the Group's properties (Note 28)	**3,557**	9,067
	12,554	25,603

At December 31, 2010, pledged bank deposits of approximately HK$8,997,000 were pledged for short term borrowing due within one year and the amount was classified as current. As at December 31, 2009, the pledged bank deposits of approximately HK$16,536,000 were pledged for bank loans due after one year and the amount was classified as non-current.

The pledged bank deposits carry effective interest rates which range from 0.36% to 1.71% (2009: 0.36% to 1.71%) 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 0.36% (2009: 0.01% to 0.25%) per annum.

The aggregate amount of pledged bank deposits, bank balances and cash amounting to approximately HK$798,935,000 (2009: HK$366,292,000) as at December 31, 2010 were denominated in RMB which is not freely convertible into other currencies.

19. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2010 HK$'000	2009 HK$'000
At cost		
At the beginning of the year	**2,324,384**	1,821,343
Exchange adjustments	**112,761**	6,350
Additions	**684,872**	496,691
Transfer from leasehold land under and held for construction of properties for rental purpose and investment properties under construction (Note 17)	**202,674**	—
Transfer from investment properties under construction (Note 17)	**88,340**	—
At the end of the year	**3,413,031**	2,324,384
Properties under development for sales of which:		
— expected to be realized within twelve months	**941,430**	—
— expected to be realized over twelve months	**2,471,601**	2,324,384
	3,413,031	2,324,384

As at December 31, 2010, certain of the Group's properties under development for sales with a carrying value of approximately HK$1,656,731,000 (2009: HK$708,008,000) were pledged to secure certain banking facilities granted to the Group.

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

	2010 HK$'000	2009 HK$'000
Long lease	**175,880**	170,758
Medium-term lease	**3,237,151**	2,153,626
	3,413,031	2,324,384

20. PROPERTIES HELD FOR SALES

As at December 31, 2010, certain of the Group's properties held for sales with a carrying value of approximately HK$276,201,000 (2009: HK$288,060,000) were pledged to secure certain banking facilities granted to the Group.

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

21. 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 90 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.

	2010	2009
	HK$'000	HK$'000
Trade receivables	**2,628**	62,568
Prepayment of business taxes and other PRC taxes	**145,148**	15,350
Other receivables, deposits and prepayments	**167,181**	91,109
	314,957	169,027

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, 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,628,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is over 90 days. There were no past due trade receivables as at December 31, 2009.

	2010	2009
	HK$'000	HK$'000
Aged analysis of trade receivables:		
0-60 days	**—**	60,036
61-90 days	**—**	2,532
Over 90 days	**2,628**	—
	2,628	62,568

22. DEPOSITS RECEIVED ON SALES OF PROPERTIES AND OTHER PAYABLES AND ACCRUALS

	2010 HK$'000	2009 HK$'000
Deposits received on sales of properties	**2,321,316**	536,980
Deposits received on sales of properties of which:		
— expected to be realised within twelve months	**1,246,129**	29,414
— expected to be realised over twelve months	**1,075,187**	507,566
	2,321,316	536,980
Other payables and accruals		
Accruals for construction costs	**434,778**	367,547
Other payables and accruals	**153,434**	117,695
	588,212	485,242

23. AMOUNT DUE TO A SHAREHOLDER

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

24. BANK LOANS, SECURED

	2010 HK$'000	2009 HK$'000
The variable-rate bank loans are repayable as follows#:		
Within one year	**683,321**	—
More than one year, but not exceeding five years	**3,016,650**	1,485,766
	3,699,971	1,485,766
Less: Amount due within one year shown under current liabilities	**683,321**	—
	3,016,650	1,485,766

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2010 HK$'000	2009 HK$'000
USD (Note)	**1,536,600**	—

Note: As at December 31, 2010, the borrowings were secured by the share of certain subsidiaries of the Company in the PRC.

24. BANK LOANS, SECURED — continued

The interest rates of the Group's variable-rate borrowings are based on base rate fixed by the People's Bank of China ("PBOC") or London InterBank Offered Rates ("LIBOR") plus a premium. Details are as follows:

	2010	2009
	HK$'000	HK$'000
Base rate fixed by PBOC plus a premium:		
Carrying amounts repayables:		
Within one year	**529,661**	—
More than one year, but not exceeding five years	**1,633,710**	1,485,766
LIBOR plus a premium:		
Carrying amounts repayables:		
Within one year	**153,660**	—
More than one year, but not exceeding five years	**1,382,940**	—

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are ranged from 4.8% to 7.02% (2009: 5.40% to 6.48%) per annum.

25. 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 10.85% (2009: 9.75%) 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%

25. FIXED RATE SENIOR NOTES — continued

The directors of the Company consider that the fair values of the redemption options at the date of issuance of the notes and at December 31, 2010 and 2009 are insignificant.

During the year ended December 31, 2010, the Group repurchased fixed rate senior notes with the carrying amount of US$197,395,000 (approximately HK$1,539,681,000) at the market price, with the direct attributable cost of approximately HK$21,863,000. The net gain of the repurchase is approximately HK$35,875,000.

The notes have been listed on the Singapore Exchange Limited since May 4, 2007. The market value of the notes at December 31, 2010 was US$97,731,000 (approximately HK$762,304,000) (2009: US$234,125,000 (approximately HK$1,826,176,000)).

26. 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	**Other temporary differences**	**Total**
	HK$'000	HK$'000	HK$'000
At January 1, 2009	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
Exchange adjustments	342,347	5,108	347,455
Charge (credit) to profit or loss (Note 10)	1,473,625	(5,027)	1,468,598
At December 31, 2010	9,892,151	66,885	9,959,036

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, 2010 and 2009 and at the end of the 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$14,889,051,000 (2009: HK$10,401,894,000) 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.

27. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2009, December 31, 2009 and December 31, 2010	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2009, December 31, 2009 and December 31, 2010	1,809,077,000	180,907

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

28. CONTINGENT LIABILITIES

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

	2010 HK$'000	2009 HK$'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Notes)	**1,745,712**	588,646

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 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 approximately HK$3,557,000 (2009: HK$9,067,000).

29. OTHER COMMITMENTS

	2010 HK$'000	2009 HK$'000
Construction commitment contracted for but not provided in respect of property, plant and equipment and investment properties	**651,895**	450,571

30. 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:

	2010 HK$'000	2009 HK$'000
Within one year	**17,067**	22,107
In the second to fifth year inclusive	**23,676**	49,811
Over fifth year	**104**	—
	40,847	71,918

The properties are expected to generate rental yields of average 0.05% (2009: 0.05%) on an ongoing basis. All the properties held have committed tenants from 1 to 6 (2009: 1 to 5) years.

As lessee

Minimum lease payments paid under operating lease during the year:

	2010 HK$'000	2009 HK$'000
Premises	**3,466**	3,466

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:

	2010 HK$'000	2009 HK$'000
Within one year	**2,022**	3,466
In the second to fifth year inclusive	**—**	2,022
	2,022	5,488

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

31. 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$4,059,000 (2009: HK$4,666,000).

32. 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.

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.

32. SHARE OPTION SCHEMES — continued

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 as at December 31, 2010.

33. 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 under development for sale	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.

34. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with Pacific Concord Holding Limited ("PCH") and its subsidiary:

Nature of transactions	**2010** **HK$'000**	2009 HK$'000
Office premises expenses (Note)	**42**	43

Note: 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 of which ultimate shareholder is Mr. Wong, 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 directors of the Company considered that the directors are the key management of the Group. The remuneration of key management during the year was as follows:

	2010 **HK$'000**	2009 HK$'000
Short-term benefits	**1,530**	1,530

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

35. LIST OF SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2010 and 2009 are as follows:

Name of the company	Country of establishment	Equity interest attributable to the Group as at December 31, 2010	2009	Issued and fully paid registered and paid-up capital as at December 31, 2010 and 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
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
Chongqing Zhengtian Investment Ltd.*##	PRC	**100%**	100%	RMB51,000,000	Property development and investment

\# Wholly foreign owned enterprises registered in the PRC.

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

* English name is for identification purpose only.

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.

36. EVENT AFTER THE REPORTING PERIOD

On January 17, 2011, 20,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants (the "Grantees"), subject to acceptance of each of the Grantees, under the share option scheme adopted by the Company on February 2, 2007. Details are set out in the Company's announcement dated January 17, 2011.

RESULTS

	For the year ended December 31,				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	903,335	2,002,964	1,746,024	1,286,850	**207,262**
Profit before taxation	415,196	9,633,923	824,457	12,776,718	**6,033,037**
Income tax expenses	(207,701)	(1,699,969)	(210,016)	(3,167,397)	**(1,555,205)**
Profit for the year attributable to owners of the Company	207,495	7,933,954	614,441	9,609,321	**4,477,832**
Earnings per share					
Basic	HK$0.16	HK$4.51	HK$0.33	HK$5.31	**HK$2.48**

ASSETS AND LIABILITIES

	As at December 31,				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	16,409,051	28,326,360	29,200,105	42,416,016	**52,475,396**
Total liabilities	(9,209,789)	(10,884,310)	(10,344,584)	(13,880,024)	**(18,189,376)**
	7,199,262	17,442,050	18,855,521	28,535,992	**34,286,020**
Equity attributable to owners of the Company	7,199,262	17,442,050	18,855,521	28,535,992	**34,286,020**

Properties held by the Group as at December 31, 2010 are as follows:

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**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	147,327	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 planning	2012-2013
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	51,899	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	2011-2013
Huashan Building West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2012

At December 31, 2010

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**Effective % held**	**Stage of completion**	**Anticipated completion**
Chongqing Global Twin Towers located at Nan Bin Road Chongqing The PRC	R & C	1,467,000	100	Under planning	2013–2015
Commercial Street Manhattan Luxury Residence and Beverly Hills located at Lijiu Road Chongqing The PRC	R & C	613,144	100	Construction in progress	2011-2012
Chongqing Manhattan City Villa Zone located at Lijiu Road Chongqing The PRC	R	542,968	100	Construction in progress	2012-2013
Chongqing Manhattan City European Type House Zone located at Lijiu Road Chongqing The PRC	R	477,995	100	Under planning	2013-2014
Chongqing Concord City Located at Jiefangbei Chongqing The PRC	R & C	408,927	100	Under planning	2013-2014
Golden Tower located at Lijiu Road Chongqing The PRC	R & C	571,992	100	Under planning	2013-2014

Notes:

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