A Sinochem Member Company

方興地產(中國)有限公司
FRANSHION PROPERTIES (CHINA) LIMITED
(Incorporated in Hong Kong with limited liability)

Stock Code : 00817

Annual Report 2009

Seizing
Opportunities
for a better Future

Brief Overview of Each Project

Property Development Projects (Under development and Completed)

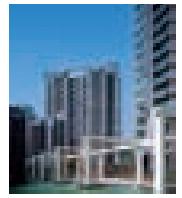
Site B of Shanghai Port International Cruise Terminal Project

Shanghai Port International Cruise Terminal is located on the west bank of the Huangpu river of Shanghai, it is adjacent to the Bund, and directly across the river from the Oriental Pearl TV Tower, it is designed to be a commercial complex development project comprising a cruise terminal and office buildings. This project is divided into Site A and Site B, Site A will be developed into a cruise terminal and shipping service buildings and Site B will be developed into 10 office buildings and a music and cultural centre. We hold economic interest in the Site B development and expect to have a total gross floor area of approximately 302,080 sq. m. upon completion. Construction works of the site commenced in May 2004 and are expected to be completed in 2010. Currently, the majority of the units under the project have been sold and pre-sold.

Shanghai International Shipping Service Center Project

Shanghai International Shipping Service Center Project is located on the North Bund of Shanghai, directly across the river from the area of Lujiazui. The west side of the site is adjacent to Shanghai Port International Cruise Terminal, the two projects will form a riverside area that doubled the length of the Bund. The zone will be used for offices, commercial complex, convention facilities, hotels and service apartments, with other facilities including a yacht marina. This project features the marina, creating a riverfront modern office and commercial zone which matches its marine theme. This project comprises the Eastern Site, the Central Site and the Western Site and is expected to have a total gross floor area of approximately 527,720 sq. m. Construction works of this project commenced in 2008 and are expected to be completed in 2013.

Zhuhai Every Garden Project



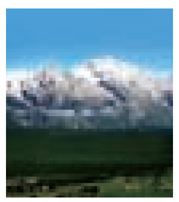
Zhuhai Every Garden Project is located on the north section of Lover's Road in Zhuhai and has a total gross floor area of approximately 137,225 sq. m. It comprises a complex of thirteen 8 to 31-storey residential apartment buildings. With the unique "New Athenism" design concept and a grand sea view, this project has become an innovative high-end residential property in Zhuhai and is nominated as "The Real Estate Project with the Highest Brand Value in Zhuhai, PRC". This project was completed in 2008 and currently all units have been sold out approximately.

Property Development Projects (Reserve)

Jin Mao World Heritage Park Redevelop-ment Project

Jin Mao World Heritage Park Redevelopment Project is located in the former site of Lijiang World Heritage Park, Yunnan province, with a site area of approximately 333,330 sq. m. The project aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotels and villas in China with an estimated total gross floor area of approximately 170,000 sq. m.

Jin Mao Yulong Snow Mountain Resort Hotel Project

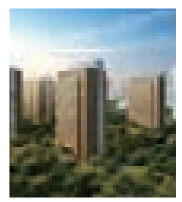


Jin Mao Yulong Snow Mountain Resort Hotel Project is located in Ganhaizi of Lijiang Yulong Snow Mountain, Yunnan province, with a site area of approximately 54,241 sq. m. The project will be developed into a super five-star luxury hotel with an estimated total gross floor area of approximately 16,000 sq. m.

Shanghai Chong Ming Island Project

Shanghai Chong Ming Island Project is located in a riverside leisure sport and residential community in Chenjia Town, Chong Ming Island, Shanghai, with a site area of approximately 220,000 sq. m., estimated total gross floor area of approximately 136,000 sq. m. The Group has also leased an adjacent site with a site area of approximately 955,478 sq. m. The Group plans to develop the leased site into a golf course and the granted site into an integrated riverside, luxury leisure, sports and resort complex comprising a golf club, villas, hotels and timeshare hotels.

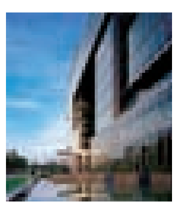
Beijing No. 15 Guangqu Road Project



Beijing No. 15 Guangqu Road Project is located at the east of Fourth Ring Road in Chaoyang District, Beijing, adjacent to the CBD area. The area was named as the "only remaining prime site" in Beijing for its excellent location. It has a site area of approximately 155,918 sq. m. and an estimated total gross floor area of approximately 382,120 sq. m. We plan to develop the project into a low-density and high-end high quality project featuring residential and commercial properties.

Property Investment Projects

Beijing Chemsunny World Trade Centre

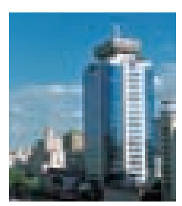


Beijing Chemsunny World Trade Centre is located on Fuxingmen Nei Street and is adjacent to West Chang An Street, with a gross floor area of approximately 194,530 sq. m. It consists of three parallel and interconnected 14-storey office buildings, the East, Central and West Towers. The project is a representative of high-end up market office with its prime location, unique design style, and it is successfully named as "Classical Representative of Award Winning First-Class Office Building in China".

Jin Mao Tower

Jin Mao Tower is located in Lu Jia Zui, Shanghai's major financial and business centre, and has become a prominent landmark in China. Jin Mao Tower has 88 floors, 420.5 metres in height and comprises a total gross floor area of approximately 292,475 sq. m. The third to 50th floors are offices, and the 53rd to 87th floors house a super deluxe 5-star hotel, and the 88th floor is an indoor observation deck. The project is a perfect mix of traditional Chinese architecture and modern architectural technology, and is named as the most influential urban landmark in China.

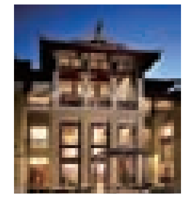
Sinochem Tower



Sinochem Tower is located in Beijing on Fuxingmen Wai Street, right at the heart of the financial centre. Sinochem Tower has 26 floors, comprising a gross floor area of approximately 49,066 sq. m., which includes offices and shops. It is an office building which offers intelligent offices and personalized services. This project has been awarded "National High Quality Prize" and "China Construction Project Luban Award".

Hotel Operations Projects

The Ritz-Carlton, Sanya



The Ritz-Carlton, Sanya is located in Yalong Bay of Sanya, Hainan province. It was officially opened in April 2008 with a total gross floor area of approximately 83,000 sq. m. It has 450 guest rooms, including 21 luxury suites and 33 villas with distinctive amenities such as private swimming pools and housekeepers. It has an indoor conference space of 1,700 sq. m. specially designated for business conference, large seminar and other special occasions, and it has the only outdoor sea-view wedding auditorium in China, and the Ritz-Carlton spa with an area of 2,788 sq. m. It was named "Most Luxurious Hotel of China for 2009".

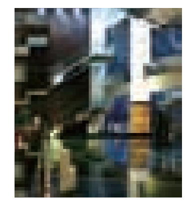
Hilton Sanya Resort & Spa, Hainan

The Hilton Sanya Resort & Spa is located at Yalong Bay Resort. Opened in 2006 and with a total gross floor area of approximately 76,666 sq. m., it has 501 guest rooms, suites, villas and a 400 metres long, white and fine beach. The hotel has 6 restaurants and a conference centre of 3,000 sq. m. It is named the "Top 10 Resort Hotels of China".

Grand Hyatt Shanghai

Grand Hyatt Shanghai is located on the 53rd to 87th floors of Jin Mao Tower. It was officially opened in 1999, with a total gross floor area of approximately 80,410 sq. m. comprising 555 luxury guest rooms. It comprises a grand ball room which can accommodate 1,200 guests, a ball room which can accommodate 800 guests and more than 10 function rooms. It was the venue for major international events such as "Wealth Forum", "APEC Conference" and other high-level forums and conferences. It is named the "World's Best Hotels – Gold List".

Westin Beijing, Chaoyang

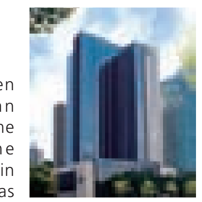


Westin Beijing, Chaoyang is located in the Yansha commercial area of Chaoyang district, Beijing, and is adjacent to the embassy district. It was officially opened in June 2008, with a total gross floor area of approximately 75,446 sq. m. The hotel has 34 floors, comprising 550 guest rooms, a function room of 720 sq. m. and 7 smaller conference rooms with the most advanced audio visual technology. It has received numerous international heads of states, sports and business elites, including the Former US President George W. Bush and his family during the Beijing Olympic Games and was highly acclaimed. It has been awarded the "Best Business Hotel for 2009".

Wangfujing Grand Hotel

Wangfujing Grand Hotel is located at the north of Wangfujing Street, and it was opened in 1995. It has a total gross floor area of approximately 41,349 sq. m. and has 405 rooms as well as a number of conference rooms, dining and other facilities. The hotel was designated as a receiving hotel during the Beijing Olympics Games period, and its quality service is highly acclaimed in the industry. It was awarded the "Nation's Top 10 Brand Hotels".

JW Marriott Shenzhen



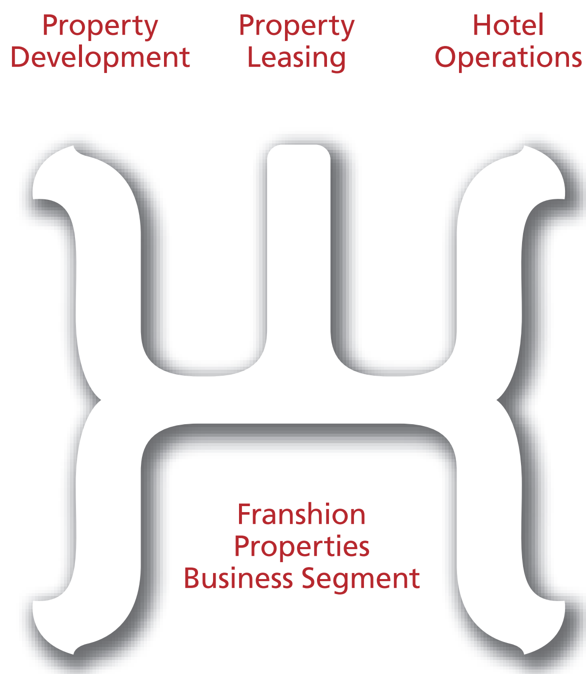
JW Marriott Shenzhen is located in Futian District, Shenzhen. The construction of the hotel was completed in January 2009, and has commenced operation on trial basis in the same month. It has a gross floor area of approximately 52,000 sq. m., with 411 guest rooms, a ball room which can accommodate 400 guests and 5 conference rooms with the most advanced audio visual equipment. The hotel aims to become the top luxury five-star hotel in Shenzhen with its distinguished design and quality service. It is named the "Top 10 Best New Opening Hotels in China for 2009".

Our Hotel Brands

Contents

Company Overview

Franshion Properties (China) Limited (Stock code: 00817) is a developer and operator of large-scale and high-end commercial real estate projects in the PRC, and also a platform enterprise under the real estate and hotel segments of Sinochem Group, one of the top 500 world's enterprises (ranking the 170th among the top 500 world's enterprises in 2009 by" Fortune"). Sinochem Group is currently one of the 16 state-owned enterprises that are principally engaged in real estate businesses, and one of the six state-owned enterprises that are approved by the State-owned Assets Supervision and Administration Commission to engage in hotel operations. On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is now one of the component stocks of the Hong Kong Hang Seng Composite Index.



The Company emphasizes on the growth opportunities at the prime locations in the core cities in China and has established a synergistic development pattern for our three major business segments, namely high-end property project development, properties leasing and hotel operations. The Company has developed several top quality real estate projects in Beijing, Shanghai, Shenzhen and Sanya, and has a number of landmark projects in many cities such as Shanghai Jin Mao Tower and Beijing Chemsunny World Trade Centre. It has also invested in a number of five-star luxury hotels. Through successful development and operation of a series of prime quality projects, the Company has gained a significant foothold in the real estate industry in China. Leveraging on its unique growth pattern, experienced management team and the strong backing from its parent company, Sinochem Group, the Company can capitalize on tremendous opportunities arising from the fast-growing PRC real estate industry and gain more opportunities in the acquisition and integration of resources.

The Company strives to position itself at the high-end of the market and specializes in the development of high quality projects with its focus on both properties holding and development, and endeavors to become a leading high-end real estate developer and operator in China through refining and optimizing the structure in the course of development, as well as capitalizing on its comparative advantages of integration, system innovation and sizable growth.

Property Development

Eight property development projects with a gross floor area of approximately 1.33 million square metres

Strong Performance

Expanded the sales of Shanghai Port International Cruise Terminal Project, and successfully won the bid for a land parcel on No.15 Guangqu Road, Beijing during the period

Property Leasing

Three high-end property investment projects with a gross floor area of approximately 360,000 square meters

Stable Income

High rental level and high occupancy rate of investment properties, outperforming its peers

Hotel Operations

Six luxury hotels offering 2,872 guest rooms

Industry Leader

Opened a new five-star hotel during the period, outperforming its peers in terms of overall results of hotel operations

Corporate Information

Company Name

Franshion Properties (China) Limited

Principal Office

Rooms 4702-4703
47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

Non-executive Directors

Mr. LUO Dongjiang *(Chairman)*
Ms. LI Xuehua *(Vice Chairman)*
Mr. WANG Hongjun

Executive Directors

Mr. HE Cao *(Vice Chairman and Chief Executive Officer)*
Mr. HE Binwu *(Vice President)*
Mr. JIANG Nan *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Chief Financial Officer

Mr. JIANG Nan

Qualified Accountant

Mr. LIAO Chi Chiun

Company Secretary

Mr. LIAO Chi Chiun

Authorized Representatives

Mr. HE Cao
Mr. JIANG Nan

Legal Advisors

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

Latham & Watkins
41st Floor, One Exchange Square,
8 Connaught Place
Central, Hong Kong

Tian Yuan Law Firm
11th Floor, Tower C, Corporate Square
35 Financial Street, Xicheng District
Beijing, People's Republic of China

Auditors

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

Stock Code

00817

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Investor Enquiry

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Fax: 852-28240300
Email: franshion@sinochem.com

Website

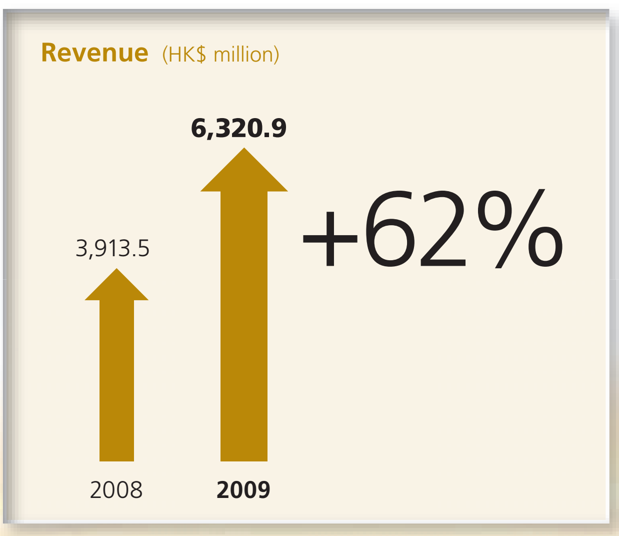
www.franshion.com

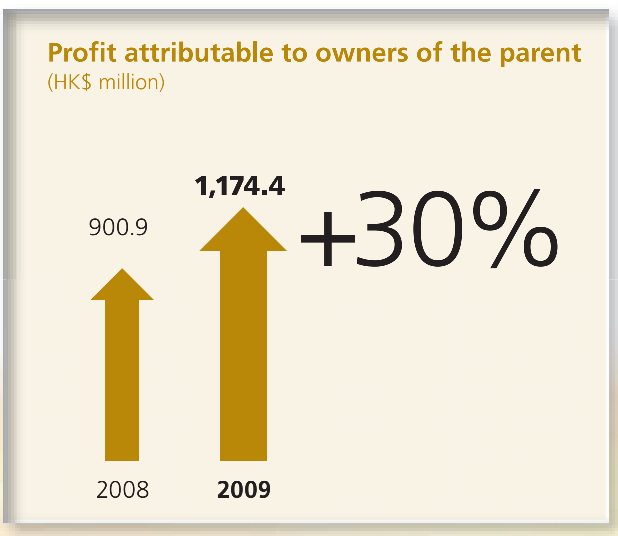
Financial Highlights

	2009 (HK$ million)	2008 (HK$ million)	Percentage change (%)
Revenue	**6,320.9**	3,913.5	62
Gross profit	**3,299.2**	2,198.0	50
Profit attributable to owners of the parent – less: fair value gains on investment properties (net of deferred tax)	**1,047.5**	826.6	27
Add: fair value gains on investment properties (net of deferred tax)	**126.9**	74.3	71
Profit attributable to owners of the parent	**1,174.4**	900.9	30
Total assets	**40,142.5**	34,546.9	16
Equity attributable to owners of the parent	**16,419.6**	11,040.0	49
Basic earnings per share (HK cents)	**13.71**	14.69	-7
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (HK cents)	**12.22**	13.48	-9
Dividend (HK cents)			
– final dividend per ordinary share	**2.50**	2.00	25
Net debt-to-adjusted capital ratio (%)	**48**	26	N/A

Note:

Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances and pledged deposits)/(total equity + amount due to related parties).





Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Franshion Properties (China) Limited ("Franshion Properties" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group", "we" or "us") for the twelve months ended 31 December 2009 (the "Period under Review" or the "Year").

During the Period under Review, profit attributable to owners of the parent amounted to HK$1,174.4 million, representing an increase of 30% over last year. Basic earnings per share was HK13.71 cents. If the fair value gains on investment properties, net of deferred tax, are excluded, the profit attributable to owners of the parent would be HK$1,047.5 million, representing an increase of 27% over last year. The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per share, which will be subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

As hit by the international financial tsunami, the global economy plummeted in the fourth quarter of 2008. At the beginning of 2009, the world economy continued to spiral downward and the growth of the Chinese economy also slowed down to a relatively large extent with the GDP growth in the first quarter down to 6.1%. Against these challenging conditions, the Chinese government was resolute to implement a series of initiatives, including the RMB4 trillion stimulus package and the 10 industries revitalization plan, with an aim to expediting the stabilization and revival of the Chinese economy. In the second and third quarters, the growth rate of GDP were 7.1% and 7.7% respectively, ensuring the achievement of the "8 percent growth rate" target for the Year. At the end of 2009, the growth rate of GDP for the Year reached 8.7%. In 2009, to cope with an unprecedented global financial turmoil, the Chinese government rolled out a series of economic revitalization measures and made significant achievements in boosting the economy. As such, the Chinese economy took the lead to see emerging V-shape recovery.

Looking at the operating environment of China's property market in 2009, along with the implementation of various policies and measures issued at the end of 2008, the residential sales market in China rebounded swiftly with the overall performance better than expected. From the recession at the beginning of 2009 to the economic rally in March and April, and then the increase in both volume and price of sales of properties in August and September and the explosive "impulse" to the economy after the 1st of October, the increase in investment has been widening month on month while the property selling price index was climbing up. A positive outlook on the property market also drove the land market prosperous. The auction prices of the "prime lots" in the first- and second-tier cities in China were running at record levels, projecting a vivid performance in

China's property market. Capitalizing on the opportunities in the revitalized property market as well as the strategic opportunities arising from Shanghai's endeavors to become an "international shipping centre", the Group endeavored to boost the sales for the Shanghai Port International Cruise Terminal Project while promoting the nearby construction of the Shanghai International Shipping Service Center Project. The Group was also committed to bringing the two projects together with an aim to developing a prime district for Shanghai International Shipping Service Center. In the meantime, the Group took proactive measures to expand its land bank. In this regard, the Group was successful in bidding the land parcel located at No. 15 Guangqu Road, Beijing during the Year, thereby securing the future development of the Group's property development segment.

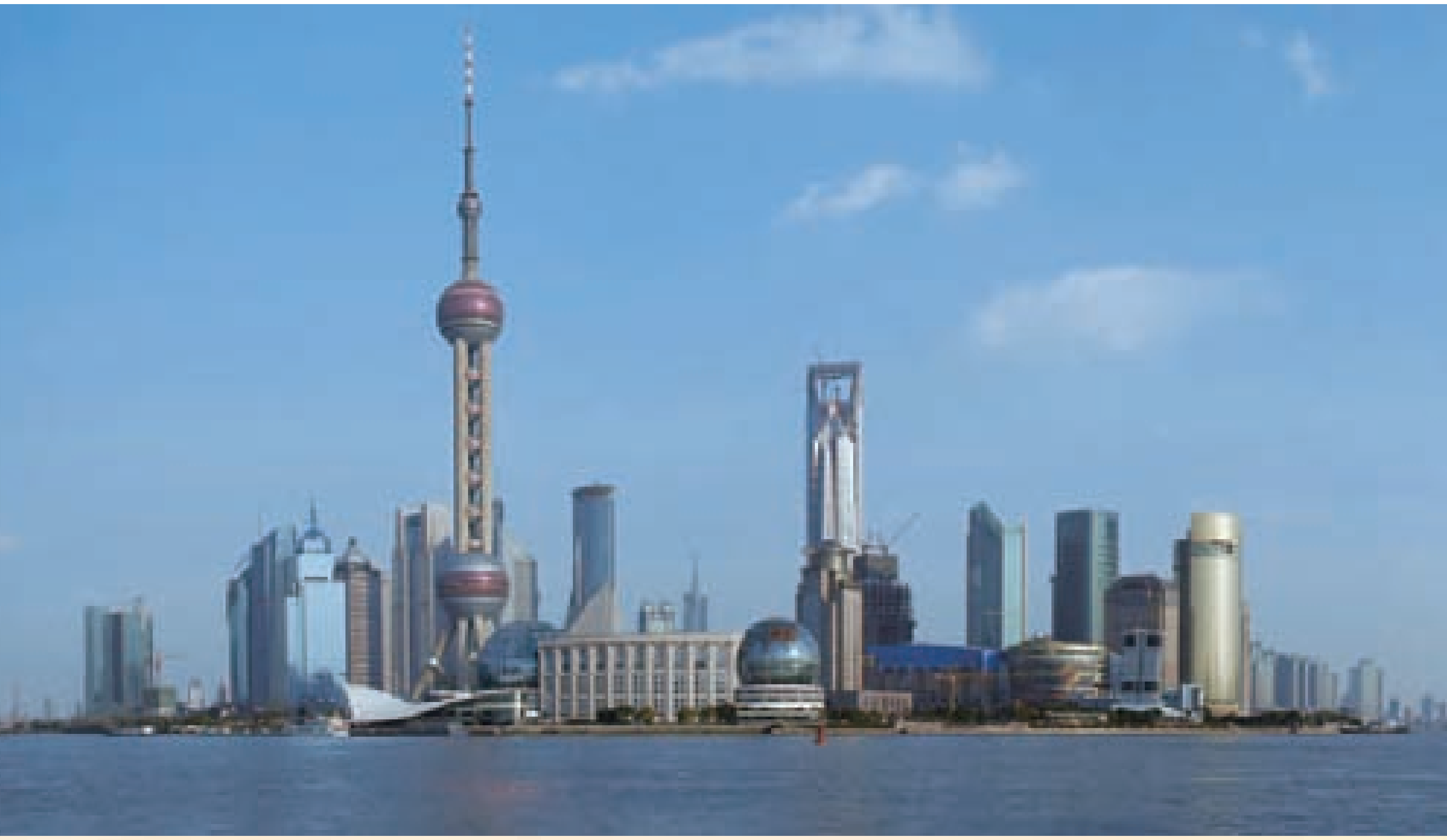
With respect to the property leasing segment, the gloom over the domestic office market since 2008 lingered in the first two quarters of 2009, during which the rental, the selling prices and the trading volume all continued to decline while the vacancy rate kept rising, representing a pessimistic prospect of the market. However, along with the recovery of China's economy, the demand for leased properties from the commercial users in the financial and banking sector, the high technology sector and bio-pharmaceutical sector began to increase in the third quarter of 2009. The market demand for leased offices in the first-tier cities continued to rebound. In particular, the A-grade office buildings located in the prime lots remain top priority for high-end tenants because of the outstanding locations and excellent quality. During the Period under Review, the occupancy rate of the office space in Jin Mao Tower, Beijing Chemsunny World Trade Centre and Sinochem Tower of the Group stood at more than 90% with revenue from the leasing segment reaching record high during the Year.

China's hotel market also managed to rebound from the trough in 2009. Influenced by the global financial crisis at the beginning of the Year, international businesses and the demand in the tourism market declined substantially, resulting in a plunge in both revenue and occupancy rate of domestic hotels. Hotels in China, particularly the high-end hotel market targeting overseas customers, were heavily affected. Against the backdrop of the adverse external environment, the Group proactively adjusted its operating strategies to step up its marketing efforts in the domestic market. Because of effective cost control and higher operation efficiency, the results of the hotel segment improved during the Year with the majority of the Group's high-end hotels maintaining their leading positions in the peer competition. Moreover, I am pleased to report that, due to the stabilization of the global economy

since the second half of the Year and the quickest recovery of China's economy, the global business activities became active and the tourism market began to revive. With obvious signs of recovery of the whole hotel industry, the occupancy rate and the average room rate of the Group's hotels picked up significantly. We are also glad to see that two of our five-star hotels in Sanya successfully overrode the influence of the negative external factors, thereby achieving a rapid growth of their results during the Period under Review. In particular, the Ritz-Carlton, Sanya outperformed the high-end resort and hotel market in Yalong Bay, Sanya, which further surpassed its peers in the market.

In January 2009, the Company completed its acquisition of China Jin Mao (Group) Company Limited (the "Jin Mao Group" or "Jin Mao"). The acquisition further enriched the asset portfolio of the Group and enhanced its operating capability on one hand, and balanced the development of the three major segments of the Group, namely the property development, the property leasing and the hotel operation on the other hand, thereby increasing the synergy among them. In addition, the Group reinforced its strategic position in respect of its property development segment, property leasing segment and hotel segment. It is our development strategy for the next three to five years to combine the properties for long-term holding purpose with the sales of properties, the operation of assets with the operation of capital and the autonomous development with the external cooperation. We are determined to develop ourselves into a leading high-end property developer and operator in China by focusing our development on high-end property projects and accelerating our growth.

Despite the signs of revitalization of the global economy in the second half of 2009 as a result of the economic stimulus measures rolled out consecutively by all economies around the world, there is still a distance from a full recovery of the global economy from the far-reaching impact of the financial turmoil and there are uncertainties



as to the economic development in the future. It is expected that the economic stimulus packages implemented by all economies around the world will sustain for a period of time. However, we believe that the Chinese government will continue to maintain the continual and stable implementation of its macro-economic policy. Although certain appropriate economic austerity measures may be adopted to cool down the overheating property market, such measures may eventually help justify the structural consolidation of the Chinese property market, which will in turn support the stable and healthy development momentum of the property market. The continuous recovery of China's economy will turn into a powerful driving force for the revival of the office leasing and hotel markets in the first-tier cities in the Mainland China. Further, the World Exposition 2010 to be held in Shanghai will serve as an accelerator for the overall rebound of the office leasing and hotel operation industries, which will benefit us as Franshion Properties owns plenty of high-end commercial properties and high-end hotels.

Looking forward, we are confident in the development of China's property market and optimistic about the strategic development of the Company. Leveraging on our superb projects, top-notch team and outstanding performance, Franshion Properties will reward our investors with increased brand value. In September 2009, I succeeded Mr. HE Cao and was appointed as the non-executive director and the chairman of the Company. I, as the new chairman, am confident in the Group for its high quality assets, well-defined strategic objectives and top-notched management team. On behalf of the Board, I would like to express my sincere gratitude to the former chairman, the customers, business partners, shareholders and all employees of the Company. Franshion Properties will continue to use its best endeavors to make progress and achieve better results with a view to creating wealth for its shareholders and employees and exploring a more prosperous future for the Group.

LUO Dongjiang
Chairman

Hong Kong
25 March 2010

Major Events

January 2009

Franshion Properties completed the acquisition of Jin Mao Group. The construction of JW Marriott Shenzhen was completed in Shenzhen, and the hotel commenced operation on a trial basis in the same month.

March 2009

The ground-breaking ceremony for Shanghai International Shipping Service Center Project invested by Franshion Properties was held.

Since the implementation of the "Three Direct Links" across the Taiwan Strait, the first cruise "Legend Of The Seas" operated by Royal Caribbean carrying the Mainland China tourists to Taiwan departed from Shanghai Port International Cruise Terminal invested and developed by Franshion Properties.

April 2009

Franshion Properties entered into the "Comprehensive Strategic Cooperation Agreement" with the Beijing branch of Bank of China in relation to the proposed credit facilities of RMB20 billion.

June 2009

Franshion Properties held an agreement signing ceremony in Beijing in relation to Office Tower No.3 of Shanghai Port International Cruise Terminal, witnessing another large state-owned enterprise entering Shanghai Port International Cruise Terminal.

Franshion Properties won a bid for a land parcel located at No.15 Guangqu Road, Beijing.

August 2009

The 2008 annual report of Franshion Properties won gold, silver and bronze prizes in three groups in the 23rd ARC International Annual Report Competition.

Franshion Properties was included as a constituent stock of MSCI China Index by Morgan Stanley International Capital (MSIC).

Franshion Properties organized an activity named "Photo Exhibition cum Recommendation of Projects in Celebration of the 2nd Anniversary of Listing".

September and November 2009

Jin Mao Group was recognized as "The Most Capable Commercial Properties Operators in Yangtze River Delta" by the High-end Forum for Commercial Real Estates in Yangtze River Delta and the Commercial Real Estates League in Yangtze River Delta.

Jin Mao Group was awarded "The Top Leading Enterprise in Commercial Real Estate in Asia" by the Asia Hotel Forum and Phoenix Hotel Consultants

December 2009

Franshion Properties entered into the "Framework Agreement for Regional Strategic Cooperation and Cooperation for Zhongdao-Lanhai Xingang City Project" with Qingdao Urban Construction Investment (Group) Co., Ltd.

Honors and Awards

Major Integrated Awards

- Franshion Properties was recognized by www.guardian.cn as the "Number One Among 30 Best Real Estates in 2008" in February 2009.
- Franshion Properties was awarded "The Outstanding PRC Real Estate Stock for 2009" by Economic Digest in June 2009.
- Franshion Properties was awarded "China's Top 10 Integrated Urban Project Operators for 2009" by the Industrial Promotion Center of the Ministry of Commerce, China Real Estate Times, China Federation of Urban Commercial Outlets Construction Administration and The International Real Estate Trade Organization in June 2009
- Franshion Properties was awarded "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Integrated Capabilities for 2009" and "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Profitability for 2009" by the Research Group of Top 10 Properties in China in June 2009.
- "Jin Mao" was recognized as one of "China's 500 Most Valuable Brands" by the World Brand Laboratory in June 2009.
- Franshion Properties was awarded "The Most Valuable Listed Real Estate Enterprise in China for 2009" by the Ninth Boao Forum for Real Estates in August 2009.
- Franshion Properties was awarded "The Most Influential PRC Enterprises for 2009" by "The Asset" magazine in November 2009.
- Jin Mao Group was granted "China's No.1 Brand Award (Real Estate Sector)" by the World Brand Laboratory in December 2009.

Major Development Project Awards

Shanghai Port International Cruise Terminal Project

- Awarded "2009 China's Top 20 Integrated Urban Projects" by the Industrial Promotion Center of the Ministry of Commerce, China Real Estate Times, China Federation of Urban Commercial Outlets Construction Administration and The International Real Estate Trade Organization in June 2009.

Zhuhai Every Garden

- Granted the "2009 Outstanding Construction Quality Award" in September 2009.

Major Office Project Awards

Beijing Chemsunny World Trade Centre

- Granted an award of "The State's Residential Real Estate Model in Celebration of 60th Anniversary of the Founding of the People's Republic of China" by China Real Estate Times, China International Real Estate and Archi-tech Fairs Organization Committee and China Mainstream Media Real Estate League in July 2009.
- Won the "Gold Medal of Great Wall Cup of Beijing Construction Works (Completed) in 2008" from the Beijing Municipal Commission of Housing and Urban-Rural Development in August 2009.

Jin Mao Tower

- Granted an award of "The State's Residential Real Estate Model in Celebration of 60th Anniversary of the Founding of the People's Republic of China" by China Real Estate Times, China International Real Estate and Archi-tech Fairs Organization Committee and China Mainstream Media Real Estate League in July 2009.
- Granted as "No.1 Model Commercial Auxiliary Building in Lujiazui Financial Centre" by the government of Pudong New District in Shanghai in December 2009.

Major Hotel Awards

Jin Mao Group was named as "The Best Owner of China's Hotels" by the China Hotel Starlight Award Committee and granted the "Annual Award for Hotel Development in China" by Horwath Hotel, Tourism and Leisure Consulting and China Tourist Hotels Association in March 2009.

Grand Hyatt Shanghai

- Named as the "World's Best Hotels – Gold List" by Condé Nast Traveler and listed as the "World's 500 Best Hotels" by Travel + Leisure in January 2009.
- Recognized as "The Best Hotel in Shanghai" by Finance Asia in March 2009.
- Named as "The Best Business Hotel" by Smart Travel (Asia-Pacific Version) in September 2009.
- Recognized as "The Best Business Hotel in Shanghai" by Business Traveller (Asia-Pacific Version) in October 2009.
- Named as the "World's Top Hotel" by Institutional Investor Magazine in November 2009.

Ritz-Carlton, Sanya

- Granted an award of "2009 China's Top Luxury Hotel" from the China Hotel Starlight Award Committee in March 2009.
- Granted the "Award for Hotel Development in China for 2009" from China Hotel Development and Financing Conference in March 2009.
- Granted an award "The Best New Hotel/Resort Hotel of the Year" by Condé Nast Traveler in May 2009.

Hilton Sanya Resort & Spa

- Granted an award of "Top 10 Resort Hotels in China of the China Hotel Starlight Award 2008" by the China Hotel Starlight Award Committee in March 2009.
- Granted an award of "Best Spa Resort in China" by TTG China in April 2009.
- Recognized as one of the "Top 100 Hotels in China for 2009" by Travel + Leisure in October 2009.

JW Marriott Shenzhen

- Recognized as the "10 Best New Opening Hotels in China for 2009" of the Golden Pillow Award for hotels in China by 21th Century Business Herald and Business Travel in May 2009.
- Recognized as the "Most Popular Business Hotel among Visitors from Guangzhou, Hong Kong and Macau for 2009" in December 2009.
- Granted an award of "Shenzhen's Top 10 Business Hotels" in December 2009.

Wangfujing Grand Hotel

- Awarded the "Nation's Top 10 Brand Hotels" of the 2009 Asia Hotel Golden Olive Award at the Second Asia Hotel Leaders Summit in July 2009.

Westin Beijing, Chaoyang

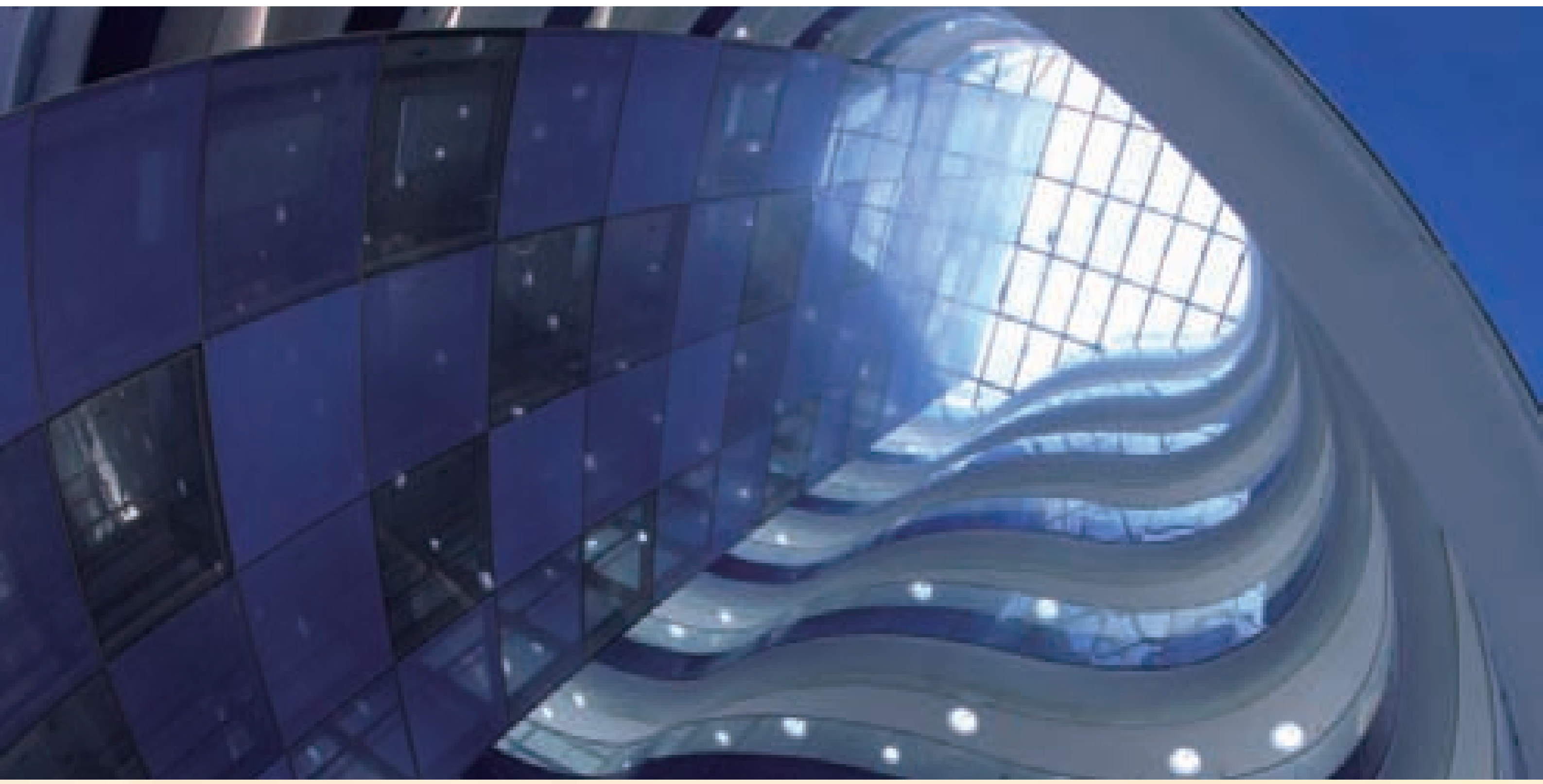
- Awarded "The Best Business Hotel for 2009" by "Business Traveller" magazine in September 2009.
- Recognized as "The Best Business Hotel for 2009" by "Voyage" magazine in October 2009.
- Recognized as "The Best New Business Hotel in China for 2009" by "Business Traveller" magazine in November 2009.

Management Discussion and Analysis

The year of 2009 was a crucial year for the development of the Company. In face of the ever-changing market environment and the fierce competition, the Group overcame the operating difficulties and achieved remarkable results amid unfavourable market conditions, recording a substantial growth as compared to that of last year.

Under the complicated and ever-changing market environment in 2009, the Group swiftly refined the operating models of each business segment in the following manner: in light of the surging real estate sales market, the Group entered into the pre-sales and sales contracts, respectively, for the block No. 9 and block No. 3 of Shanghai Port International Cruise Terminal with an area transacted of up to 42,000 square metres, laying a foundation for enhancing the target results of annual performance; in view of the keen competition from its peers in the office lease market, the Group adopted the strategies of stabilizing the existing tenant base and refining the tenant mix to secure a stable occupancy rate and rental level where the office leasing operations maintained a relatively high level of revenue; in light of the sluggish hotel market, the Group adopted a variety of measures in different locations, stepped up the marketing efforts of the hotels and implemented stringent cost control policies in adherence to the objective of "outperforming its peers under the same conditions", enabling its hotels to maintain a leading position among its peers in the same region. In June 2009, the land parcel located at No. 15 Guangqu Road, Beijing was acquired by the Group, which provided land bank for ongoing development in the future and greatly enhanced the brand value and public recognition of the Group. The heated land auction market and continuous increase in property price also demonstrated the foresight of the Group and its ability to capture market opportunities.

With the increasing recognition of the Group in the industry, Franshion Properties was nominated as one of the "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Integrated Capabilities for 2009 by the Research Group of Top 10 Properties in China. Subsequently, Franshion Properties was named as the "Most Valuable Listed Real Estate Enterprise in China for 2009" by Boao Forum for Real Estates. Franshion Properties is gaining popularity among the public and investors.



Our Property Segment

Franshion Properties (China) Limited

- Property development
- Property leasing
- Hotel operations
- Property related business

Beijing

- ■ Beijing Chemsunny World Trade Centre
- ▲ Westin Beijing, Chaoyang
- ■ Sinochem Tower
- ▲ Wangfujing Grand Hotel
- ● Beijing No. 15 Guangqu Road Project

Shanghai

- ■ Jin Mao Tower
- ▲ Grand Hyatt Shanghai
- ● Shanghai Port International Cruise Terminal Project
- ● Shanghai International Shipping Service Center Project
- ● Shanghai Chongming Island Project

Zhuhai

- ● Zhuhai Every Garden Project

Sanya

- ▲ Ritz-Carlton, Sanya
- ▲ Hilton Sanya Resort & Spa, Hainan

Lijiang

- ● Jin Mao World Heritage Park Redevelopment Project
- ● Jin Mao Yulong Snow Mountain Resort Hotel Project

Shenzhen

- ▲ JW Marriott Shenzhen

● Property development ■ Property leasing ▲ Hotel operations

Management Discussion and Analysis – Business Review

Project Information

1. Areas by segments

Franshion Properties
Total gross floor area: 2,105,395 square metres

Property Development Total gross floor area: 1,332,654 square metres			Property Leasing Total gross floor area: 363,870 square metres	Hotel Operations Total gross floor area: 408,871 square metres Number of guest rooms: 2,872	
Completed Projects: *(unsold portion)*	Projects under development:	Reserved Projects:	Completed Projects: *(investments properties)*	New Hotels:	Hotels in operation:
East Tower of the Beijing Chemsunny World Trade Centre and car parks: 50,138 square metres Zhuhai Every Garden: 42,955 square metres	Site B of Shanghai Port International Cruise Terminal Project: 204,291 square metres* Eastern and Central Sites of Shanghai International Shipping Service Center Project: 331,150 square metres*	Beijing No. 15 Guangqu Road Project: 382,120 square metres* Jin Mao World Heritage Park Redevelopment Project: 170,000 square metres* Jin Mao Yulong Snow Mountain Resort Hotel Project: 16,000 square metres* Shanghai Chong Ming Island Project: 136,000 square metres*	Central and West Tower of the Beijing Chemsunny World Trade Centre: 102,739 square metres Jin Mao Tower (excluding hotel): 212,065 square metres Sinochem Tower: 49,066 square metres	JW Marriott Shenzhen: 52,000 square metres, 411 rooms	Grand Hyatt Shanghai Hotel: 80,410 square metres, 555 rooms Hilton Sanya Resort & Spa: 76,666 square metres, 501 rooms Wangfujing Grand Hotel: 41,349 square metres, 405 rooms Ritz-Carlton, Sanya: 83,000 square metres, 450 rooms Westin Beijing, Chaoyang: 75,446 square metres, 550 rooms

2. Property investment projects

Name of property projects	Total gross floor area (square metres)	Including: Office building area available for lease (square metres)	Commercial area available for lease (square metres)	Carparking spaces (unit)
Central and West Tower of the Beijing Chemsunny World Trade Centre	102,739	97,592	5,147	302
Jin Mao Tower (excluding hotel)	212,065	122,131	22,986	800
Sinochem Tower	49,066	28,940	8,707	260
Sub-total	**363,870**	**248,663**	**36,840**	**1,362**

3. Completed projects – unsold portion

Name of property projects	Unsold total gross floor area (square metres)	Including: Commercial and residential area available for sale (square metres)	Carparking spaces available for sale (unit)
East Tower of the Beijing Chemsunny World Trade Centre and car parks	50,138	8,021	639
Zhuhai Every Garden Project	42,955	1,786	503
Sub-total	**93,093**	**9,807**	**1,142**

4. Information on existing projects

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
A. Projects under development									
Site B of Shanghai Port International Cruise Terminal Project	No. 610 Dong Da Ming Road, Hongkou District, Shanghai, the PRC	85,089	302,080*	Commercial	Holding and Selling	50%	2010	97,789	204,291
Eastern and Central sites of Shanghai International Shipping Service Center	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai, the PRC	54,249	331,150*	Commercial	Holding and Selling	50%	2013	N/A	N/A
B. Reserved projects									
Beijing No. 15 Guangqu Road Project	Northwest corner of Dajiaoting Bridge, Chaoyang District, Beijing	155,918	382,120*	Residential/commercial	Holding and Selling	100%	2013	N/A	N/A
Jin Mao World Heritage Park Redevelopment Project	Lijiang World Heritage Park, Lijiang City, Yunnan Province, the PRC	333,330	170,000*	Residential/commercial	Holding and Selling	100%	Beyond 2013	N/A	N/A
Yulong Snow Mountain Resort Hotel Project	Ganhaizi Yulong Snow Mountain, Lijiang City, Yunnan Province, the PRC	54,241	16,000*	Residential/commercial	Holding and Selling	100%	2013	N/A	N/A
Shanghai Chong Ming Island Project	Bin Jiang leasure and sports residential community, Chenjia Town, Chong Ming Island, Shanghai	220,000	136,000*	Residential/commercial	Holding and Selling	100%	2013	N/A	N/A

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Company	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Area of hotel (square metres)
C. Completed Projects											
Beijing Chemsunny World Trade Centre	Nos. 26, 28 and 30, Fu Xing Men NeiAvenue, Xicheng District, Beijing, the PRC	21,659	194,530	Office building	Holding and Selling	100%	2006	41,653	50,138	102,739	–
Zhuhai Every Garden Project	No. 11 North of Zhuhai Qinglv Avenue, Xiangzhou district, Zhuhai, Guangdong Province, the PRC	43,499	137,225	Residential	Selling	100%	2008	94,270	42,955	–	–
Sinochem Tower	No. A2 Fu Xing Men Wai Avenue, Xicheng District, Beijing, the PRC	5,833	49,066	Office building	Holding	100%	1995	–	–	49,066	–
Jin Mao Tower (including hotel)	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	23,611	292,475	Office building	Holding	100%	1999	–	–	212,065	80,410

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Number of guest rooms
D. Hotel operations projects								
Wangfujing Grand Hotel	No. 57 Wang Fu Jing Avenue, Dongcheng District, Beijing, the PRC	9,858	41,349	Hotel	Holding	100%	1995	405
Grand Hyatt Shanghai	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	**	80,410	Hotel	Holding	100%	1999	555
Hilton Sanya Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, the PRC	108,610	76,666	Hotel	Holding	60%	2006	501
Ritz-Carlton, Sanya	Yalong Bay Resort, Sanya, Hainan Province, the PRC	153,375	83,000	Hotel	Holding	100%	2008	450
Westin Beijing, Chaoyang	Nos. 1-3 Xinyuan South Road, Chaoyang District, Beijing, the PRC	24,195	75,446	Hotel	Holding	100%	2008	550
JW Marriott Shenzhen	No. 6005 Shennan Boulevard, Futian District Shenzhen, Guangdong Province, the PRC	4,471	52,000	Hotel	Holding	100%	2009	411

* Estimated gross floor area

** Grand Hyatt Shanghai situated in Jin Mao Tower

Property Development Segment

Choose the best sites for our property development

Property Development Segment

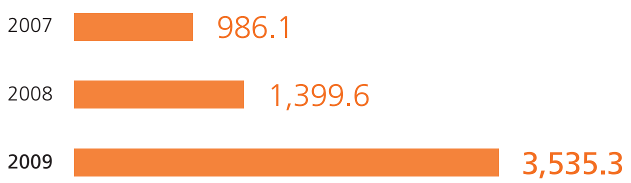
The Group is committed to developing high-end real estate projects. The developed properties are situated at the prime locations in the region. The Group has a proven track record for development projects and has successfully rolled out a number of quality real estate projects in Shanghai and Beijing. Such projects involve sophisticated technologies and unique designs based on the principles of environmental protection and energy conservation. The Group's representative projects include Shanghai Fortune Plaza and Beijing Chemsunny World Trade Centre. Projects under development, including Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Center, continue to reflect the Group's consistent strategy of developing excellent properties and its commitment to turning such properties into local landmarks.

After years of project development, the Group has formed an experienced development team and established sound cooperation relationships with local governments, enabling us to obtain quality land resources easily. We have also developed a unique management model covering the selection, operation and management of property development projects and promoting the synergistic development with other economic entities of the same region. In particular, we have accumulated extensive experience in the development of riverfront and waterfront properties.

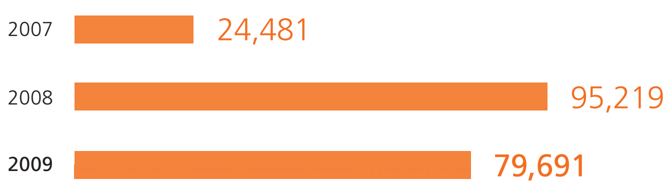
As at 31 December 2009, the Group had 8 property development projects in different development stages located in Beijing, Zhuhai, Shanghai and Lijiang (Yunnan Province) nationwide. Benefiting from the heated Mainland China real estate market in 2009, the Group accomplished significant growth in the property development business during the Period under Review. The Group entered into contracts for presales of substantially all buildings of the newly launched Shanghai Port International Cruise Terminal Project and part of the sales was recognised during the year, accounting for the largest profit contribution to the Group for the Year. Zhuhai Every Garden Project completed most of the sales of the last batch of units during the Year. Shanghai International Shipping Service Center Project under construction has been listed as one of the key projects in Shanghai city and has become a key integral part of the urban growth strategies in Shanghai. The preparatory design for the existing reserve projects (Yunnan Lijiang Project and Shanghai Chongming Island Project) was also completed. The Group also acquired the site on No.15 Guangqu Road in Beijing, ensuring the sustainable development of the Company's property development.

The sales revenue from property development segment recognized for the Year amounted to HK$3,535.3 million, an increase of 153% over that of last year and saleable area was up to 79,691 square metres.

Sales revenue from property development segment for the past three years (HK$ million)



Saleable area of property development segment for the past three years (sq.m.)



Site B of the Shanghai Port International Cruise Terminal Project

(50% owned by the Group)

Located along the 880-metre stretch of the western bank of the Huangpu River, the Shanghai Port International Cruise Terminal is close to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Port International Cruise Terminal is an integrated commercial area comprising a cruise terminal and business offices, including relating structures and facilities, such as an international passenger transport terminal, a port administration building, an office building and a music and cultural centre. Covering an area of 20,000 square metres, and reaching 9 – 13 metres in depth, the international passenger transport terminal can hold 3 luxury cruisers at the same time. The terminal is designed with a turnover of one million people each year and will grow into the shipping and transportation hub in Shanghai in the future.

The Group has entered into a partnership with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), and will develop together with the latter the parcel of land on which the Shanghai Port International Cruise Terminal is located. The parcel of land is split into two parts for two different projects, one on Site A, and the other on Site B, connecting to each other closely and together making up the whole of Shanghai Port International Cruise Terminal. Site A is intended for the International Passenger Transport Terminal and the Port Administration Building, while Site B is reserved for related structure groups such as the office buildings and musical art centre. The Group holds a 50% economic interest in the Site B developments.

The Group has built ten office buildings (buildings originally intended for serviced apartment and an art gallery have been changed into office buildings) and a musical art centre on Site B. The six office buildings on the front are individual buildings which integrate functions and sights with an area of 15,000 to 22,000 square metres, each has an independent naming right, great to be used as headquarters or regional headquarters of international enterprise. The high-rise buildings and the multiple-storey building at the back integrate functions and commerce to meet the needs of various commercial companies. The semi-underground business centre will become a hub of world fashions and trends and will be developed into a stylish shopping street, whilst the music and cultural centre and a number of leisure squares will be a spot defining high quality life and entertainment in Shanghai.

Site B of the Shanghai Port International Cruise Terminal Project occupies a total area of approximately 85,089 square metres. Upon completion, Site B will comprise a total gross floor area of approximately 302,080 square metres. Construction works commenced in May 2004, and the entire project is expected to be completed in 2010.

As at 31 December 2009, sale or pre-sale of the majority of the project had been completed and the saleable area or pre-sales area accounted for 77% of the estimated total gross floor area available for sale after completion, of which, four office buildings occupying an area of approximately 62,985 square metres had been delivered to owners during the Year, whilst the construction of the other individual structures had entered the final stage, and the overall construction was processing smoothly.

Shanghai International Shipping Service Center Project

(50% owned by the Group)

Shanghai International Shipping Service Center Project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The site is adjacent to the west side of Shanghai Port International Cruise Terminal, the two of which form a riverfront area that doubles the length of the Bund.

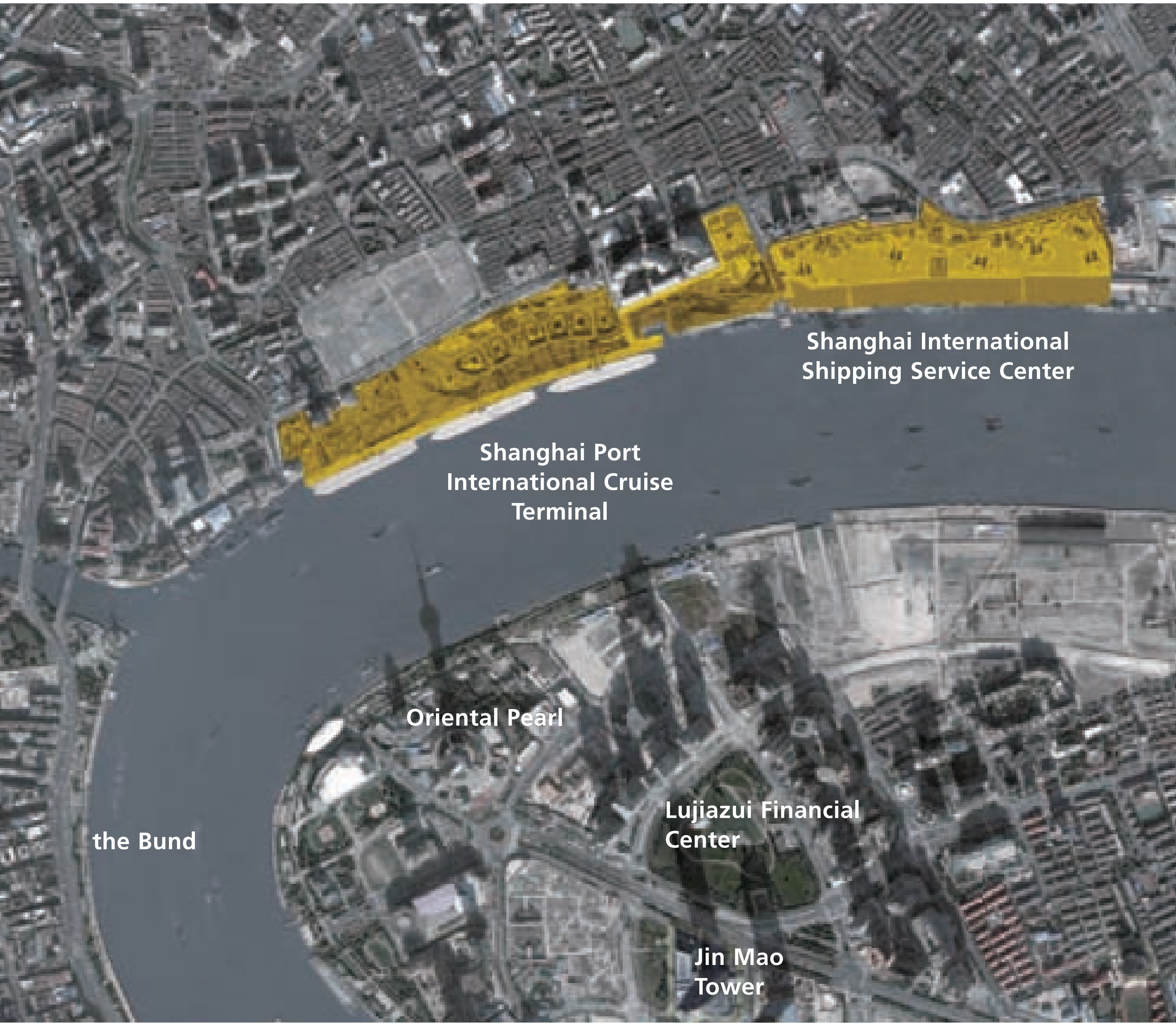
Shanghai International Shipping Service Center is designed to realize the core functions and the economies of scale of the shipping service industry in Shanghai, and to achieve synergies of international shipping enterprise. In this connection, the project aims to address the needs of shipping transactions and commerce by strengthening the commercial and auxiliary functions of shipping services. It also attempts to highlight the characteristics of shipping service by construction of a yacht harbour. A classic compound based on the theme of shipping service will be constructed along the coast, creating a modem office and commercial zone featuring a shipping centre. The zone will be used for offices, commercial purposes, conventions, hotels and apartment hotels, with all the facilities including a yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group acquired the land use rights of the Eastern Site of the project in 2007, with an area of 35,210 square metres. In March 2008, the Group acquired the land use rights of the Central Site of the project, with an area of 19,039 square metres. Currently, the Group has 50% economic interests in the Eastern Site and Central Site of the project. Pursuant to the non-competition undertaking signed by the Company and Sinochem Group on 6 July 2007 (the "Non-competition Undertaking"), Sinochem Group granted to the Group an option to acquire its 50% interest in Shanghai Yin Hui Property Development Company Limited ("Shanghai Yin Hui"). After the acquisition of the 50% interest in Shanghai Yin Hui, the Group will obtain the land use rights of the Western Site of the project with an area of approximately 43,172 square metres held by Shanghai Yin Hui.

The Group intends to consolidate the development of the Eastern Site, Western Site and Central Site. Upon completion, the project will comprise a total gross floor area of approximately 527,720 square metres. The project is listed as one of the key projects in Shanghai city and has become a key integral part of the urban growth strategies in Shanghai. In May 2009, the Group and Industrial and Commercial Bank of China entered into a framework agreement for the syndicated loan in the sum of approximately RMB4.5 billion to secure the project funding. At the same time, the Group actively expanded the market and strived to enter into the intent for sale with potential customers. Such project is currently under construction. The entire project is expected to be completed in 2013.

"We seize opportunity to build "Shanghai Port International Cruise Terminal" and "Shanghai International Shipping Service Center" into the new landmarks in Shanghai in the future."

Upon completion of Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Centre, these two projects will form a 2-kilometer-long waterfront high-end commercial complex, connecting the Bund's traditional financial district to the west and overlooking the Lujiazui Financial and Trade Zone to the south across the Huangpu River. These districts will form a "golden delta" within Shanghai's central business district (CBD), which will serve as a major area for Shanghai's international shipping centre.


Shanghai International
Shipping Service Center
Shanghai Port
International Cruise
Terminal
Oriental Pearl
Lujiazui Financial
Center
the Bund
Jin Mao
Tower

Zhuhai Every Garden Project

(100% owned by the Group)

Situated on the north side of Zhuhai Qinglv Avenue. As an innovative residential project in Zhuhai, Zhuhai Every Garden enjoys a broad view of the ocean. While sitting near the beautiful sea coast and peaceful mountains, the project is also equipped with a complete range of living facilities. One can enjoy both the prosperity of the city and a gracious quiet lifestyle at the same time.

The project has a site area of approximately 43,499 square metres, and comprises 13 apartment buildings ranging from 11 to 31 floors in height, with a total gross floor area of approximately 137,225 square metres. The Group has constructed approximately 728 apartment units, 80% of which have floor areas ranging between 80 and 170 square metres each, and the remaining units have floor areas of approximately 200 square metres each. The project also includes commercial offices, a club house and approximately 573 underground parking spaces. The Group holds 100% interest in the project.

The construction of the project commenced in June 2006, and was completed in the second half of 2008. As at 31 December 2009, the Group accumulatively sold 675 units, with a floor area of approximately 93,551 square metres and accounting for 91% of the total floor area of the residential units available for sale, of which, 16,706 square metres were sold during the Year. Currently, the project only has a few residential units and part of the parking spaces available for sale.

Beijing No. 15 Guangqu Road Project

(100% owned by the Group)

Located at the east of Fourth Ring Road in Chaoyang District, Beijing, the project is adjacent to the CBD area and at the south of its Eastern Expansion Area, which is only 4 kilometers from the core area of the CBD. The project is near to a cluster of bus lines and two subway lines under construction, which offers convenient transportation facilities. In addition, auxiliary facilities, such as hospitals, education institutions, commercial facilities and restaurants are nearby, and a number of high-end properties are adjacent to the project. This area is recognized by the industry as the "only remaining prime site" in Beijing for its excellent location.

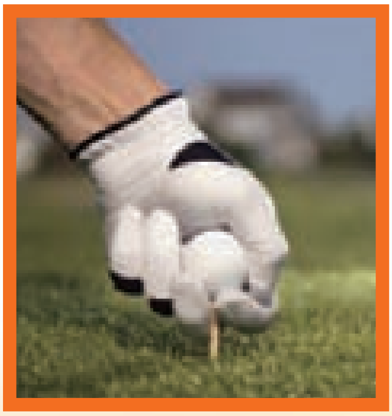
In June 2009, the Group won the bid of the site at No. 15 Guangqu Road, Beijing, for a consideration of RMB4.06 billion. The site has an area of approximately 155,918 square metres and an estimated total gross floor area of approximately 382,120 square metres. The Group plans to develop the site into a high-end residential complex consisting of high-end residential properties, metropolitan high-end apartments, sport parks and primary school. It will represent a metropolitan landmark integrating the functions of culture, leisure, education and fashion. Currently, the Group has completed the compilation of reports on the Environmental Impact Assessment, Traffic Assessment and Energy Conservation Assessment of the project and such reports have been reviewed and approved by the government. The preliminary work of the project is also in active progress. The entire project is expected to be completed in 2013.

Shanghai Chongming Island Project

(100% owned by the Group)

The investment value of Shanghai Chongming Island has been increasingly highlighted with its excellent ecological environment and unique geographical location. With the steady development of "International Eco-Island" plan, the gradually improved infrastructure and the opening of Yangtze River Tunnel Bridge in the future, Shanghai Chongming Island is being embraced with new opportunities for development.

In November 2008, the Group acquired the land use rights of Site No. 4 located in Chenjia Town Binjiang Recreation and Sports Residential Community in Chongming Island, Shanghai. The land has an area of approximately 220,000 square metres and an estimated total gross floor area of 136,000 square metres. At the same time, the Group has entered into a lease agreement with Shanghai Chenjiazhen Asset Management Company to lease a site adjacent to Site No. 4 for an area of approximately 955,478 square metres. The Group preliminarily plans to develop the leased site into a golf course and develop the granted land into a quality integrated recreation, sports and holiday resort, comprising of a golf club, villas, hotels and timeshare hotels. Currently, the Group has completed the initial preparatory design for the project and the entire project is expected to be completed in 2013.



Yunnan Lijiang Projects

(100% owned by the Group)

Lijiang (Yunnan Province) is known for its rich tourism resources, particularly its three world-class heritages: the Ancient Town of Lijiang, the Three Parallel Rivers and the Dongba culture. The Ancient Town of Lijiang was conferred as one of the sightseeing spots for the first batch of "National Tourism Postcards" (國家旅遊名片) in the "Boao International Tourism Forum" in December 2007.

In March 2008, the Group acquired two pieces of high-quality land, located respectively at the former site of World Heritage Park in the Ancient Town of Lijiang (at the northern outskirt of Lijiang City and the northern end of the Shangri-La Street) and at Ganhaizi in Yulong County (up on Yulong Snow Mountain, next to the Yulong Golf Course). According to the preliminary development plan, the two pieces of land will be developed and constructed in the following two projects.

JIN MAO WORLD HERITAGE PARK REDEVELOPMENT PROJECT

This project is located at the former site of Lijiang World Heritage Park, with a land area of approximately 333,330 square metres. The project is set to be an integrated commercial project, which consists of at least one 5-star resort hotel, and aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotel and villa complex in China. The estimated total gross floor area is approximately 170,000 square metres.

JIN MAO YULONG SNOW MOUNTAIN RESORT HOTEL PROJECT

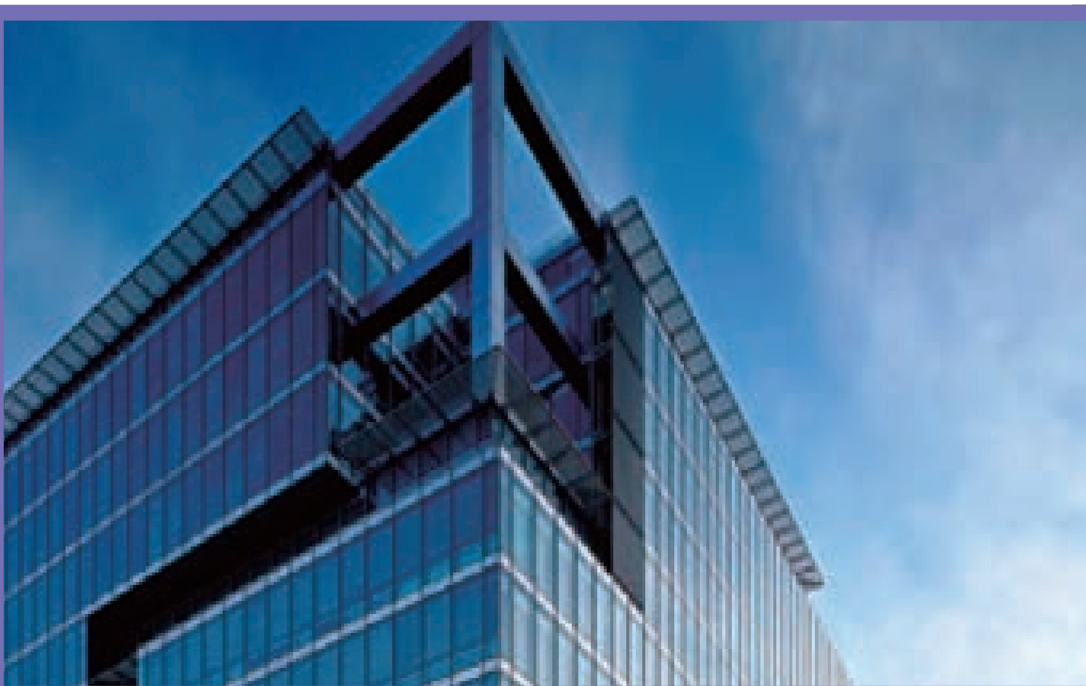
Situated at Ganhaizi in Lijiang Yulong Snow Mountain, a national 5A level scenic spot and adjacent to the Yulong Snow Mountain Golf Course, this project will occupy a total site area of 54,241 square metres. The Group plans to develop this project into a super five-star luxury hotel targeting high-end tourists both locally and abroad, with an estimate total gross floor area of approximately 16,000 square metres.

Both projects will be managed and operated in linkage with international brands, with a view to achieving scale-effect and creating synergy. Currently, the project is under the stage of preparatory design. The whole project will be developed in phases and launched in stages.

Business Review

Properties Leasing Segment

Keep the best properties for our glorious future



Properties Leasing Segment

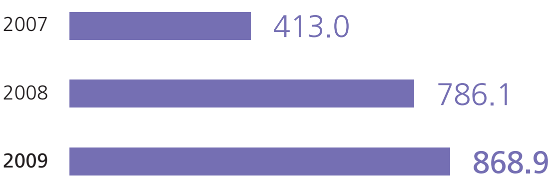
The Group endeavours to hold high-end commercial properties at the prime locations in cities. The major investment properties include Beijing Chemsunny World Trade Centre, Sinochem Tower and Jin Mao Tower. Our investment properties are of high quality and with superior and unique designs, enabling them to become the local landmarks. In particular, Jin Mao Tower was once the highest skyscraper in China. It is a perfect combination of the world's modern architectural design and the traditional Chinese architectural style (pagoda), and enjoys a high reputation nationwide and even worldwide. Beijing Chemsunny World Trade Centre distinguishes itself from other high-end office buildings in Beijing by its unique overall design style as well as its high-end ancillary facilities.

The Group's strategy is to retain the properties with the highest investment value in the commercial property development project for rental income so as to ensure that stable cash inflows will be generated to the Group in the future to resist risks. As our office buildings are situated at favourable geographical locations and are of superior quality, the Group can achieve satisfactory operating performance and receive value-added gains from the appreciation of investment properties. The Group will also actively adjust the proportion of properties for holding and properties for sales with a view to achieving balanced operations and sustainable growth in performance.

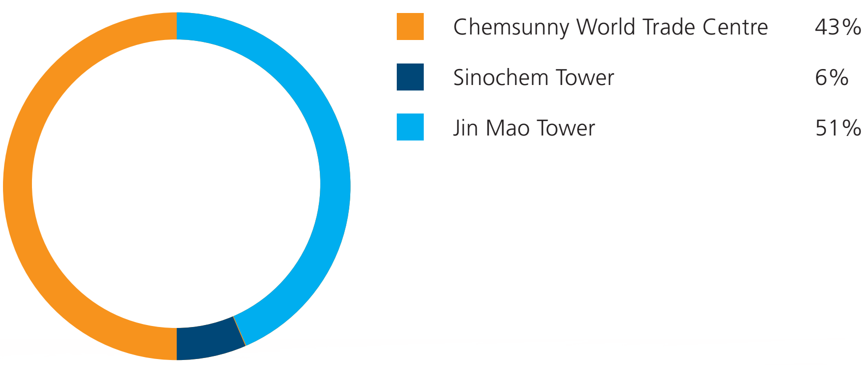
As at 31 December 2009, the Group owned three investment properties in China, among which, two were located in Beijing and one was in Shanghai. During the Period under Review, the investment properties owned by the Group overcame the unfavourable impacts of the financial breakdown and intensifying competition from the office buildings in the region. Its results performance remained satisfactory and its occupancy rate was kept at a relatively high level through the enhancement of the quality of existing customer services and the active expansion of sales channels, thus generating stable revenue to the Group.

During the Year, the overall sales revenue from property leasing segment amounted to HK$868.9 million, representing an increase of 11% over that of last year. The rental income for the Year was mainly derived from Jin Mao Tower and Beijing Chemsunny World Trade Centre.

Sales revenue from property leasing segment for the past three years (HK$ million)



Percentage of sales revenue attributable to each investment property for 2009



Leasing business of Beijing Chemsunny World Trade Centre

(100% owned by the Group)

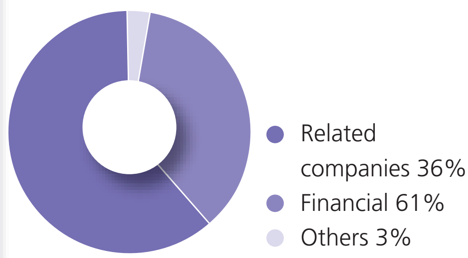
Situated on Fuxingmen Nei Street within the financial district of Beijing, Beijing Chemsunny World Trade Centre is adjacent to West Chang An Avenue and opposite to Jinrong Street. The complex is less than ten minutes' walk from two subway lines and only one block to the west of the Second Ring Road.

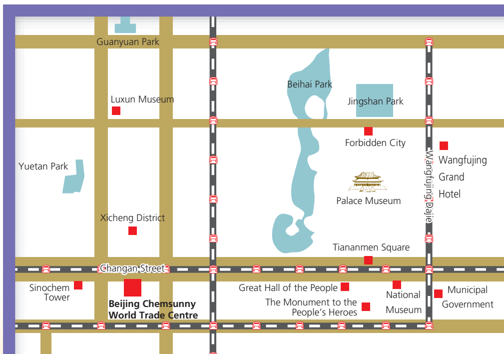
The project comprises three parallel and interconnected 14-storey office buildings, being the East, Central and West Towers respectively. The three office buildings comprise a total gross floor area of approximately 194,530 square metres. Construction of the Beijing Chemsunny World Trade Centre commenced in April 2004 and the main body of the construction was completed in December 2006. The complex can provide separate offices for approximately 80 to 120 companies, and house as many as 5,000 employees. It distinguishes itself from other high-end office buildings in Beijing by the incorporation of a number of distinctive design elements and features. The Group holds 100% interests in the project.

The Central and West Towers of Beijing Chemsunny World Trade Centre are the Group's long-term investment and are held for rental to external parties, with a total rentable area of approximately 102,739 square metres, while the East Tower is available for sale on a floor basis.

Due to its prime location, superior quality, advance product design and high-end ancillary facilities, the property is widely recognised by its clients throughout the market, and a large number of international and domestic renowned enterprises have moved into Beijing Chemsunny World Trade Centre. As at 31 December 2009, the occupancy rate of the Central and West Towers of Beijing Chemsunny World Trade Centre was 95.0% (as at 31 December 2008: 95.2%). The primary tenants of this property are Sinochem Group and its related companies, and some of the top companies from other fields including finance and consultancy.

Tenant structure of Beijing Chemsunny World Trade Centre





Leasing business of Sinochem Tower

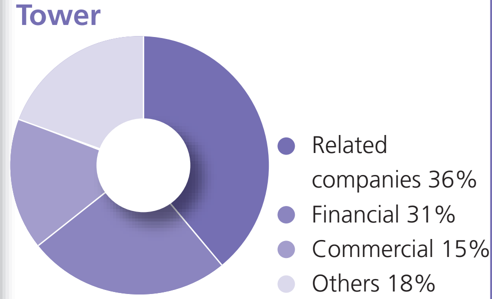
(100% owned by the Group)

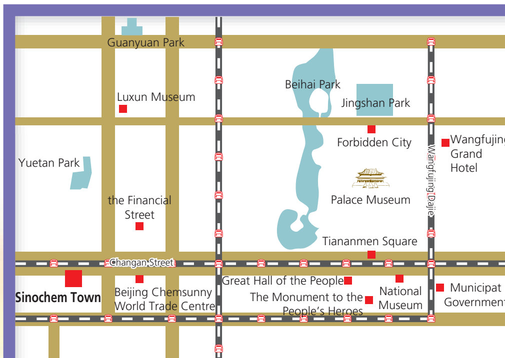
Situated at the heart of Beijing on Fuxingmen Wai Street, the prime location of the business circle of the financial street which is less than 50 metres away from the subway station of the Beijing Subway Line One, Sinochem Tower is an office building supported by sophisticated office facilities and personalized services.

The 26-storey Sinochem Tower has a total gross floor area of approximately 49,066 square metres. The Group holds 100% interest in the Sinochem Tower.

The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group. During the Year, after adjustment the tenant structure, the Group effectively increased the rental level and the occupancy rate. As at 31 December 2009, the occupancy rate was 99.1%, an increase as compared to 97.3% for last year.

Tenant structure of Sinochem Tower





Leasing business of Jin Mao Tower

(100% owned by the Group)

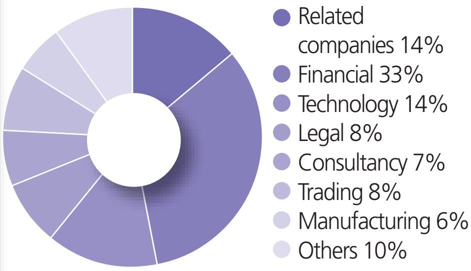
Situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, Jin Mao Tower is one of China's landmark buildings attracting numerous businessmen, tourists and sightseers at home and abroad. The 420.5-metre-high 88-storey tower, with a gross floor area of approximately 292,475 square metres, represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology.

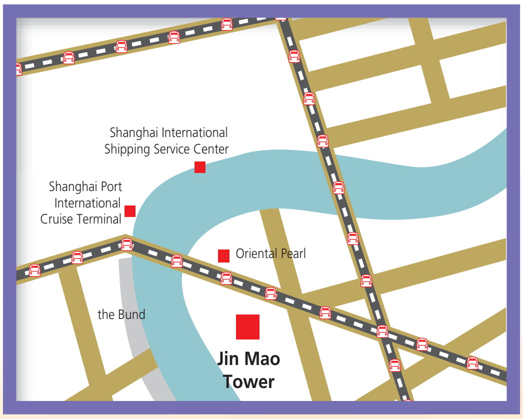
The spacious, bright and imposing entrance hall of Jin Mao Tower is located on the first two floors. On the 3rd-50th floors are commodious office areas without poles, with a height between floors of 4 metres and a ceiling height of 2.7 metres. The 51st-52nd floors are designed for mechanical and electric rooms, and the 53rd-87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. The indoor observation deck is on the 88th floor. "J-Life" was constructed on the podium building connected to Jin Mao Tower and has become the brand new fashionable landmark in Shanghai. The Group owns 100% interest in Jin Mao Tower.

The 3rd-50th floors of Jin Mao Tower are made up of grade A offices, and the leaseable office area has a total gross floor area of approximately 122,131 square metres. Its excellent location, along with its superior landmark effects, makes the tower one of the first choices as place of business in Shanghai for prestigious corporations at home and abroad. In spite of the impact of the global financial crisis and the construction of new office buildings in the surrounding areas, the occupancy rate and rental level of Jin Mao Tower remained high. As at 31 December 2009, the occupancy rate of the offices in Jin Mao Tower was 90.0% (as at 31 December 2008: 96.9%).

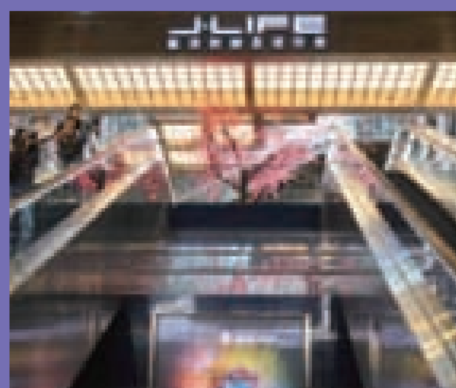
"J-Life", constructed on a gross floor area of approximately 22,986 square metres and located in the podium building of Jin Mao Tower, is anchored by many flagship stores of famous brands engaged in the provision of retailing services, private nursing services, personalised services and Chinese and western catering services, and has become one of the high-end lifestyle service centres in Pudong, Shanghai, which greatly improves the overall quality of Jin Mao Tower.

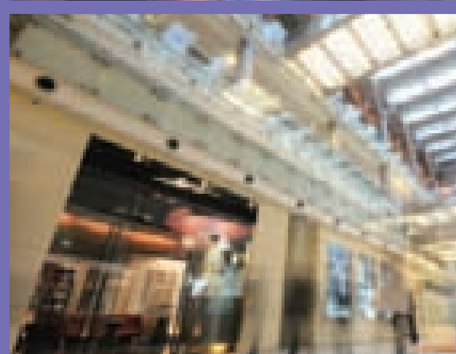
Tenant structure of Jin Mao Tower





We enhance quality value for our tenants





Hotel Operations Segment

Best hotel operations for our honored guests

Business Review

Hotel Operations Segment

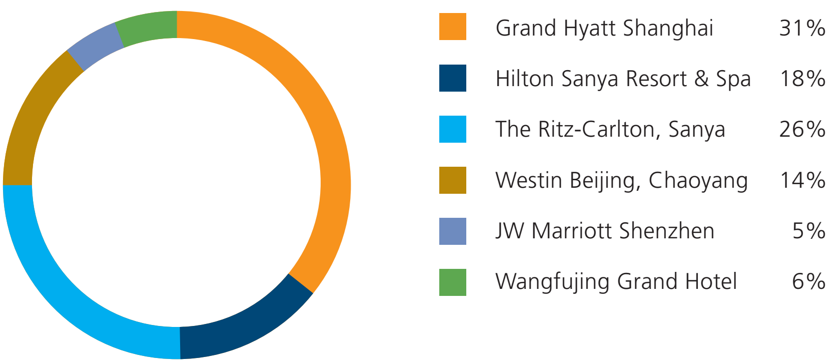
The Group is committed to the investment and operation of high-end hotels in core cities and tourist cities and has accumulated extensive management experience. In particular, the Group has developed a sophisticated management model in realising profit-sharing with the world's renowned hotel management companies. In March 2009, Jin Mao Group was named as "The Best Owner of China's Hotels" by China Hotel Starlight Award Committee. At the beginning of the Year, another five-star hotel of the Group, JW Marriott Shenzhen, was officially opened and has become the fifth high-end hotel of the Group that is operated and managed by internationally-renowned hotel management companies. Under the Group's principle of developing exclusive and high-end hotels, our hotel operations are identified with high-quality services and are popular among, and well recognised by, high-income consumers. In addition to generating profit, this enhances the Group's brand and overall reputation, and promotes the image and popularity of the other two business segments of the Group, thereby generating higher profitability.

As at 31 December 2009, the Group owned six hotels in China, which are located in Beijing, Shanghai, Sanya and Shenzhen respectively. Among such hotels, Wangfujing Grand Hotel is directly operated by the Group, and the other hotels are high-end luxury hotels which are managed by world famous international hotel management companies entrusted by the Group. During the Period under Review, its hotel operations were affected by various external factors, which as a result dampened its operations. The Group, however, endeavoured to explore the market potentials and maintained its leading position among its peers in terms of the operating results of the hotels, achieving the objective of "outperforming its peers under the same conditions".

During the Year, the overall sales revenue from hotel operations segment amounted to HK$1,576.7 million, representing a growth of 13% over that of last year. The revenue from hotel operations for the Year was mainly derived from Grand Hyatt Shanghai, Hilton Sanya Resort & Spa and The Ritz-Carlton, Sanya.

Sales revenue from hotel operations segment for the past three years (HK$ million)

Percentage of sales revenue attributable to each hotel for 2009



Westin Beijing, Chaoyang

(100% owned by the Group)

Situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's ambassy area, Westin Beijing, Chaoyang is only 25 minutes' ride from Beijing Capital International Airport. The hotel is operated and managed by Starwood Hotels & Resorts Management Company (喜達屋酒店及度假村管理集團公司, one of the world famous international hotel management companies) entrusted by the Group.

Westin Beijing, Chaoyang was opened in June 2008. The 34-storey hotel has a total gross floor area of approximately 75,446 square metres and 550 guest rooms, which, from luxury guest rooms of 40 square metres to presidential suites of 320 square metres, provide various comfortable and convenient facilities to cater to each guest's favourite way of recreation.

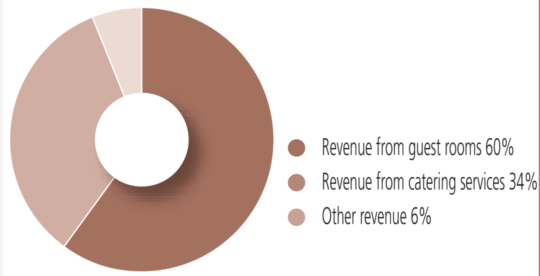
Westin Beijing, Chaoyang served numerous foreign heads of state and elites from sports and business circles, including the family of Mr. George W. Bush, the former president of the United States, Mr. S.R. Nathan, President of Singapore, Mr. Sam Ramsamy, IOC Executive Board Member, thereby establishing a high-end brand image of the hotel.

During the Period under Review, despite the severe external economic environment, the hotel gradually expanded the market share leveraging on its product strength and favourable geographical location, the support from its stable and quality customers and government authorities, and the flexible pricing strategies. At the same time, it substantially reduced energy expenses and labour costs through adopting lean management and became Starwood's best performance hotel in China for 2009.

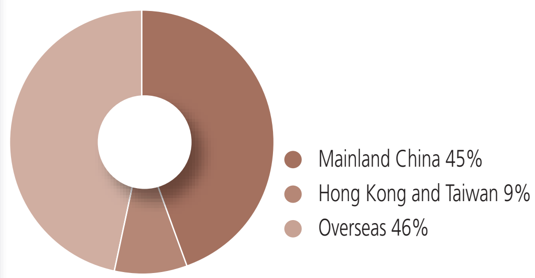
Westin Beijing, Chaoyang	2009	2008
Average occupancy rate	53.0%	27.4%
Average room rate (RMB)	1,195	3,388
Average revenue per available room (RMB)	633	929

Note: The operation period of the hotel in 2008 is less than a full year.

Revenue structure

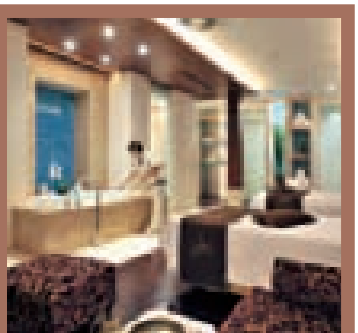


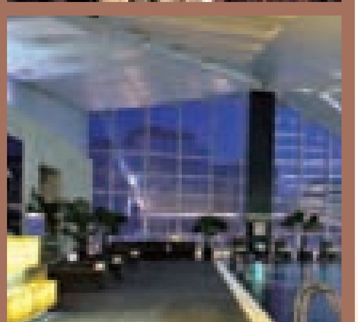
Guest structure

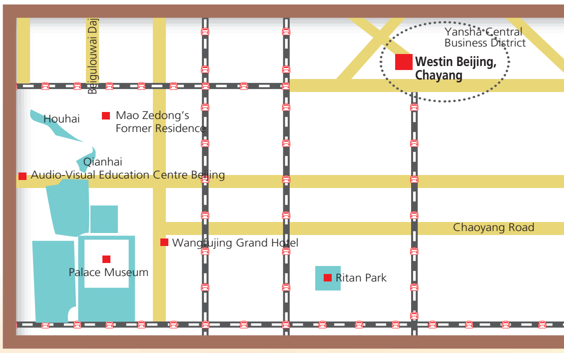


Awards

1 Best Business Hotel for 2009 – "Business Traveller" Magazine
2 Best Business Hotel for 2009 – "Voyage" Magazine
3 Best New Business Hotel for 2009 – "Business Traveller" Magazine
4 Top Ten Business Hotels 2009 – "Hotel" Magazine (China version)
5 Best Conference Hotel in Beijing for 2009 – TTG China







Wangfujing Grand Hotel

(100% owned by the Group)

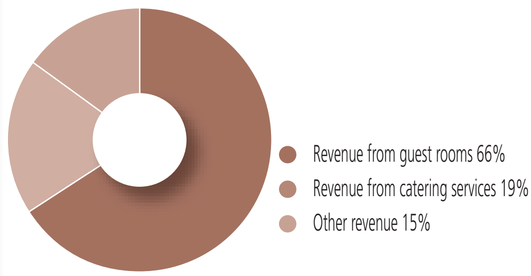
Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Wangfujing Grand Hotel is enjoying an unparalleled location, which allows for walks to a cluster of cultural and historical sites and facilities, short distance to The Forbidden City, Tian'anmen Square and Beihai Park, and a bird's-eye view of The Forbidden City. Wangfujing Grand Hotel is operated and managed by the Group.

The Wangfujing Grand Hotel was opened in 1995. This 14-storey building has 405 guest rooms as well as a number of conference rooms, dining and wine outlets and other facilities. The hotel has a total gross floor area of approximately 41,349 square metres.

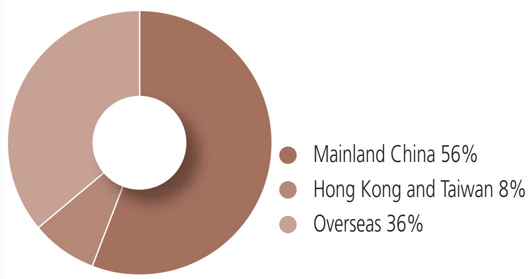
Due to its convenient location, Wangfujing Grand Hotel has attracted a large number of tourists. Amid severe external market environment, the hotel has adopted various flexible business strategies such as implementing flexible and competitive pricing policies, strengthening marketing efforts in online booking, tapping into small-to-medium conferencing market and launching festival catering promotion, which generated satisfactory revenue to the Group.

Wangfujing Grand Hotel	2009	2008
Average occupancy rate	69.9%	69.3%
Average room rate (RMB)	566	896
Average revenue per available room (RMB)	395	621

Revenue structure

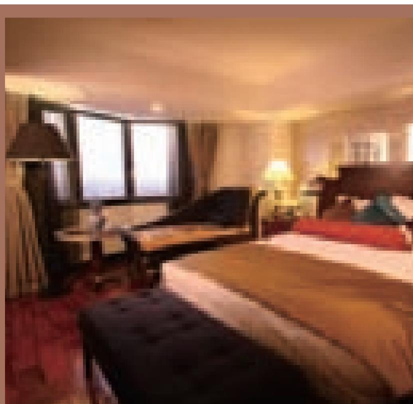


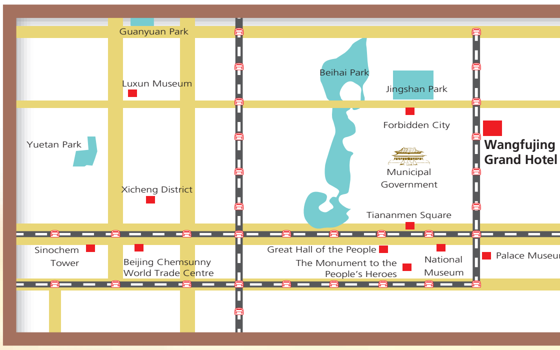
Guest structure



Awards

1 Asia Hotel Golden Olive Awards – Nation's Top 10 Brand Hotels 2009





Grand Hyatt Shanghai

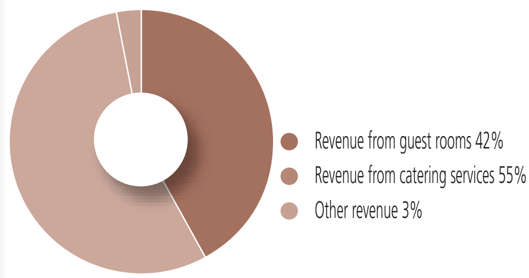
(100% owned by the Group)

Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai is operated and managed by Global Hyatt Corporation (one of the world famous international hotel management companies) entrusted by the Group.

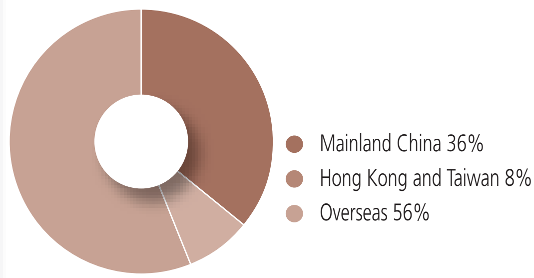
Grand Hyatt Shanghai was opened in 1999 with a total gross floor area of 80,410 square metres. The 35-storey hotel has 555 luxury guest rooms each decorated with panorama glass curtain walls, thus allowing guests to enjoy the breathtaking scenery of Shanghai city.

Since its inauguration, the hotel has been granted more than 100 hotel-related awards in China and abroad, and has successfully undertaken a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference and Forbes' Global CEO Conference. In 2009, amid the severe external market environment, the hotel adjusted its marketing strategy and intensified its sales efforts in a timely manner, allowing the hotel to maintain its leading position among its peers in the same region. With the approaching of 2010 Shanghai Expo, a massive influx of tourists will drive up the performance of the hotel more rapidly.

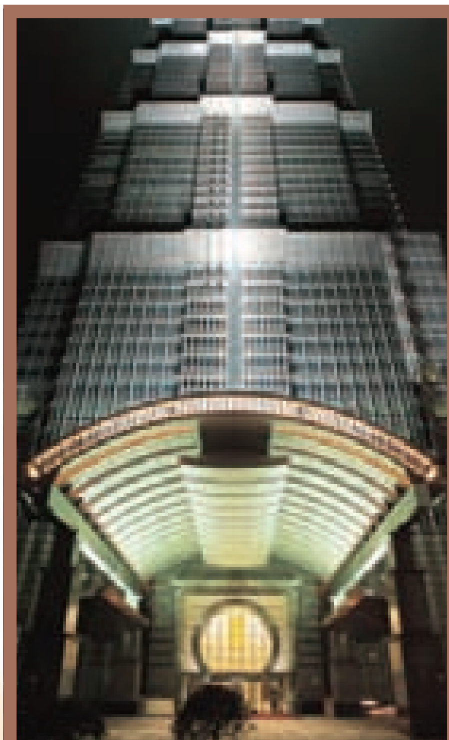
Revenue structure

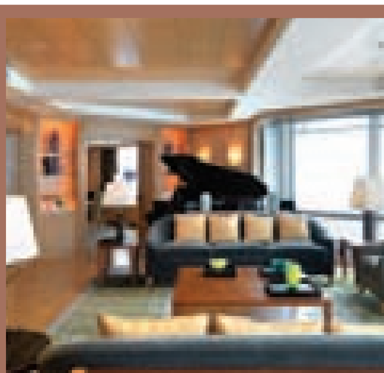


Guest structure



Grand Hyatt Shanghai	2009	2008
Average occupancy rate	57.0%	59.5%
Average room rate (RMB)	1,677	2,308
Average revenue per available room (RMB)	957	1,373





Awards

1 World's Best Hotels – Gold List – Condé Nast Traveler
2 World's 500 Best Hotels – Travel + Leisure
3 Best Hotel in Shanghai – Finance Asia
4 Best Business Hotel – Smart travel
5 Best Business Hotel in Shanghai – "Business Traveller" Magazine
6 The World's Top Hotel – "Institutional Investor" Magazine
7 Golden Pillow Award – 21st Century Business Herald

Hilton Sanya Resort & Spa

(60% owned by the Group)

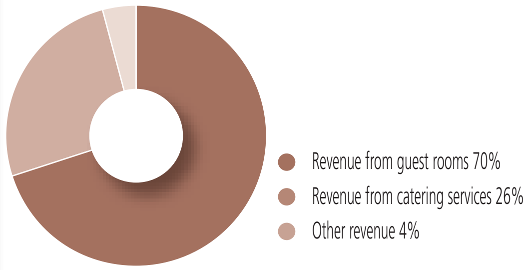
Situated at the enchanting Yalong Bay, Hainan Province, Hilton Sanya Resort & Spa is operated and managed by Hilton International Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Hilton Sanya Resort & Spa was opened in 2006 with a total gross floor area of approximately 76,666 square metres, and has 501 guest rooms, suites and villas as well as 400 metres of powdery white beachfront. This hotel is designed and built with unique features and services to provide a "True Resort Experience", a basic concept embodying strong southern China's characteristics everywhere.

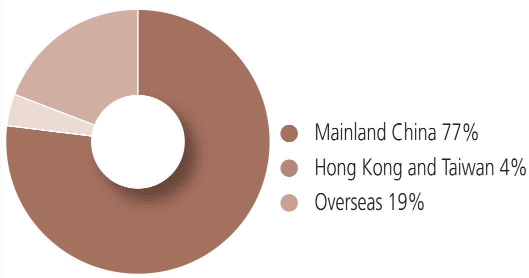
During the Period under Review, the operation of Hilton Sanya Resort & Spa was stable in general as it was only marginally affected by the economic downturn at home and abroad. In particular, the promulgation of the opinion on accelerating the development of Hainan into an international tourist destination further drove the growth in tourism and consumption in Sanya, Hainan. Benefiting from its effective sales initiatives and lean cost control, the hotel continued to rank top in terms of operating results among its peers in the same region.

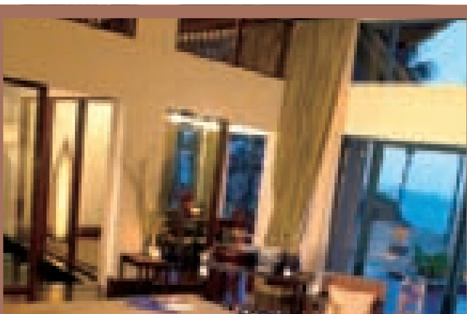
Hilton Sanya Resort & Spa	2009	2008
Average occupancy rate	67.6%	68.5%
Average room rate (RMB)	1,470	1,424
Average revenue per available room (RMB)	994	975

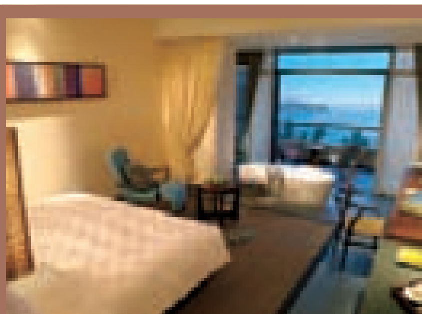
Revenue structure



Guest structure

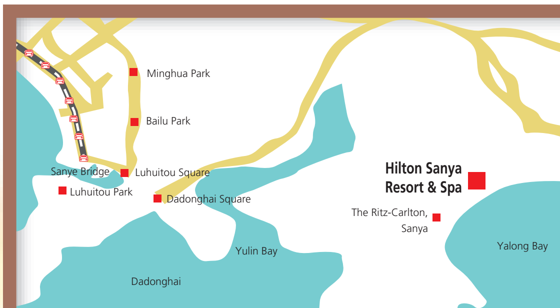






Awards

1. Top 10 Resort Hotels in China – China Hotel Starlight Award Committee
2. Best Spa Resort in China – TTG China
3. Top 100 Hotels in China for 2009 – Travel + Leisure
4. Top Ten Leisure Hotels in China of the Year – "HOTELS" magazine (China version)
5. Golden Pillow Award – 21st Century Business Herald



The Ritz-Carlton, Sanya

(100% owned by the Group)

Situated at the charming Yalong Bay of Sanya, the Ritz-Carlton, Sanya is operated and managed by the Ritz-Carlton Hotel Company (one of the world famous international hotel management companies) entrusted by the Group.

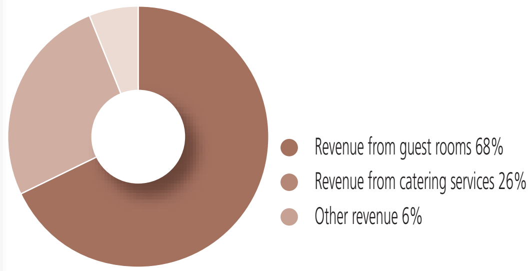
The Ritz-Carlton, Sanya was opened in April 2008. It has a total gross floor area of approximately 83,000 square metres and 450 luxury guest rooms. Each guest room has a floor area of more than 60 square metres. 21 of such guest rooms are luxury suites and 33 are villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

During the Period under Review, Ritz-Carlton, Sanya delivered a set of remarkable operating results, significantly outperforming its peers in the same region. The hotel has greatly enhanced the core competitiveness of its products through formulating reasonable marketing strategies and pricing policies, thereby establishing its leading position in Yalong Bay and gaining popularity from the market.

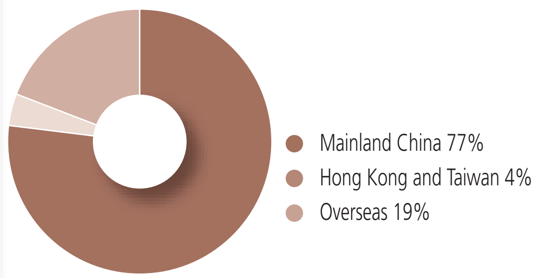
The Ritz-Carlton, Sanya	2009	2008
Average occupancy rate	75.1%	49.7%
Average room rate (RMB)	1,953	1,813
Average revenue per available room (RMB)	1,466	902

Note: The operation period of the hotel in 2008 is less than a full year.

Revenue structure

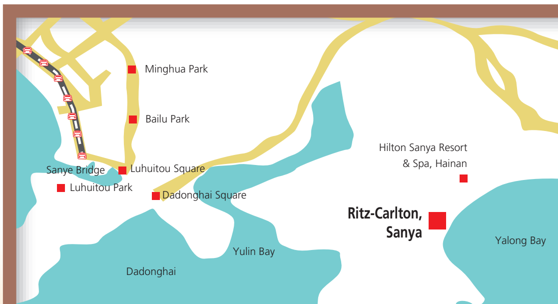


Guest structure



Awards

1. 2009 China's Top Luxury Hotel – China Hotel Starlight Award
2. Award for Hotel Development in China for 2009 – China Hotel Development and Financing Conference
3. Best New Hotel/Resort Hotel of the Year – Condé Nast Traveler
4. Top 45 Best New Hotels for 2009 – Travel + Leisure
5. Golden Pillow Award – 21st Century Business Herald



JW Marriott Shenzhen

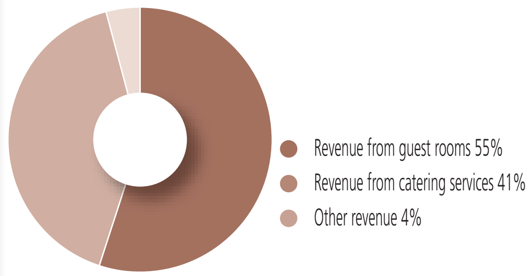
(100% owned by the Group)

JW Marriott Shenzhen is located in Futian District, Shenzhen, in close proximity to the Shenzhen Golf Club. The hotel is operated and managed by Marriot Hotel International (one of the world famous international hotel management companies) entrusted by the Group.

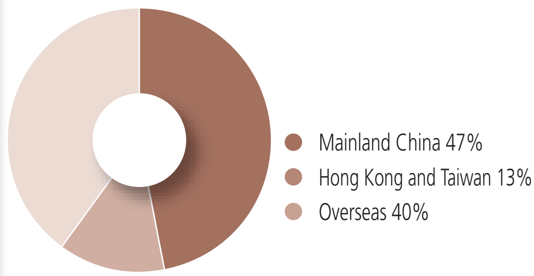
JW Marriott Shenzhen was officially opened in March 2009, occupying a total gross floor area of approximately 52,000 square metres. It has 411 guest rooms, a banquet hall that can accommodate 400 people, as well as 5 conference rooms equipped with the most advanced audio-visual technology. Its modern tropical design concept blends into the architectural style of the hotel and the seasonal characteristics of the South China city, making the hotel one of Shenzhen's top-grade superior deluxe five-star rating business hotels.

Currently, the hotel is expanding its market. After reinforcing its marketing team and implementing flexible pricing policies, the occupancy rate of the hotel has been on the rise and the performance of operations has shown strong growth potentials.

Revenue structure



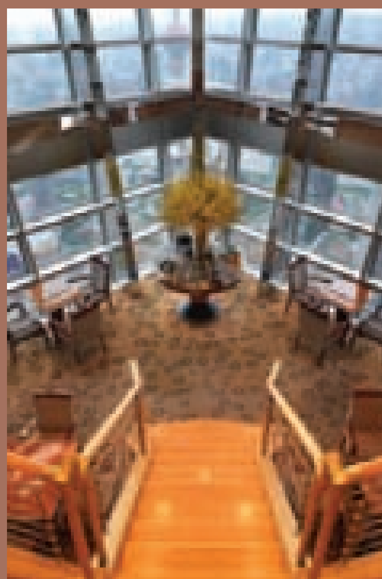
Guest structure

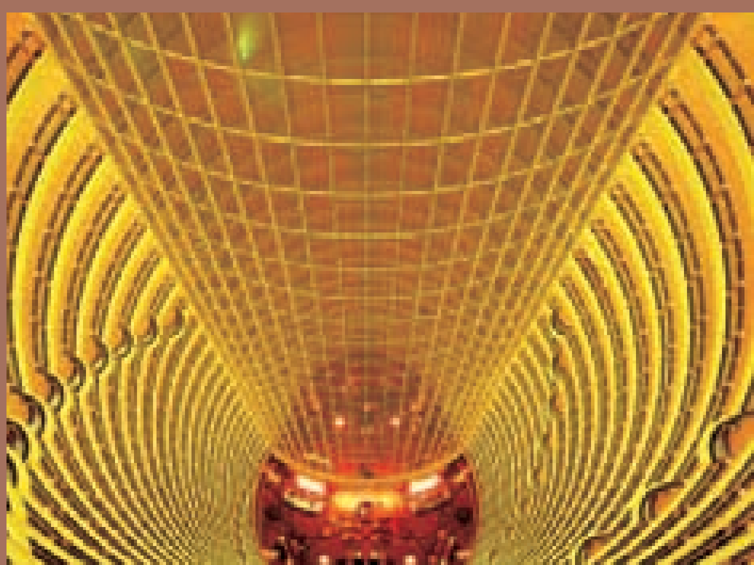


Awards

1. Golden Pillow Award – 21st Century Business Herald
2. Most Popular Business Hotel among Visitors from Guangzhou, Hong Kong and Macau for 2009 – Shenzhen Hotel Association
3. Shenzhen's Top 10 Business Hotels – Shenzhen Hotel Association
4. Best Convention and Tourism Official Hotel – Shenzhen Economic Daily and Shenzhen Conference Exhibition Association
5. Best Japanese Restaurant in Shenzhen 2009 – "That's PRD"

We bring a brand new experience to our customers





The Company, through its superior property management companies, renders the highest standard of property management services to its customers including the provision of services for Sinochem Tower, Beijing Chemsunny World Trade Centre and Jin Mao Tower. During the Period under Review, the Group's property management business had a smooth and steady performance. The consolidated property service business of the Group further strengthened the operation of our integrated value chain of property development, and improved the brand advantage and the asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect benefits to the Group.

The Observation Deck on the 88th floor of Jin Mao Tower, being one of the first Four A scenic spots in China, is a very popular tourist attraction in Shanghai. Visitors may gain an unprecedented experience of high speed traveling in one of the two super high-speed elevators there. Moving at 9.1 metres per second, it only takes the elevators 45 seconds to send passengers to the 88th floor from the basement. During the Period under Review, the Group broadened its market channels and stepped up its efforts. Despite the challenges arising from its neighbouring competitors, the Observation Deck on the 88th floor successfully drew over 1.1 million visitors during the Year, and brought a relatively stable revenue to the Group.

Situated on the first floor of the annex building to the Jin Mao Tower is the Jin Mao Concert Hall, one of Shanghai's high standard culture and art centres, where regular music salon series are held, and performances are given by both well-known artists and musicians from China and other countries. The elegant atmosphere the Concert Hall produces also enhances Jin Mao Tower's reputation and quality.

The Group is also engaged in other businesses such as building decoration, automobile services, international yacht services and advertising, mainly to provide supporting services to its existing operations. For example, the renovation costs of the Group's newly constructed hotels are greatly reduced under the strict control of its construction and decoration subsidiaries; the Group's advertising subsidiaries may offer better promotion and advertising services in respect of the Group's operation of properties and hotels. The Group will also regularly review the profitability of such businesses, and the synergy generated between major businesses, so as to produce more direct and indirect benefits for the Group.

We provide high-quality services to our customers

Management Discussion and Analysis – Financial Review

I. Review on overall results of the Company

For the year ended 31 December 2009, profit attributable to owners of the parent amounted to HK$1,174.4 million, representing an increase of 30% compared with HK$900.9 million in 2008. Taking into account of the effect of fair value gains on investment properties, net of deferred tax, the profit attributable to owners of the parent would be HK$1,047.5 million, representing an increase of 27% compared with HK$826.6 million in 2008.

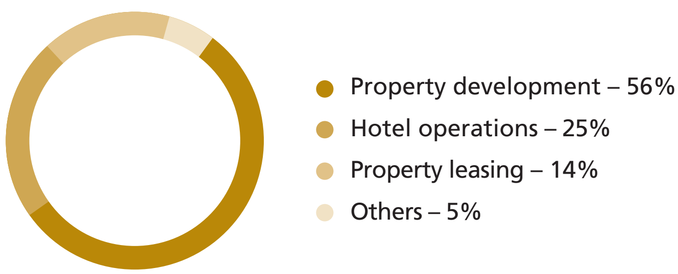
II. Revenue

For the year ended 31 December 2009, the revenue of the Group increased by 62% to HK$6,320.9 million (2008: HK$3,913.5 million), which was mainly attributable to increased sales of properties.

Revenue by business segments

	For the year ended 31 December				
	2009		2008		
	HK$ million	**Percentage of the total revenue (%)**	HK$ million	Percentage of the total revenue (%)	Year-on-year change (%)
Property development	**3,535.3**	**56**	1,399.6	36	153
Property leasing	**868.9**	**14**	786.1	20	11
Hotel operations	**1,576.7**	**25**	1,393.9	36	13
Others	**340.0**	**5**	333.9	8	2
Total	**6,320.9**	**100**	3,913.5	100	62

In 2009, revenue from property development increased by 153% over that of 2008 to approximately HK$3,535.3 million and accounted for 56% of the total revenue, which was mainly attributable to sales of some units of Shanghai Port International Cruise Terminal Project. Revenue from property leasing increased by 11% over that of 2008 and accounted for 14% of the total revenue, which was primarily driven by the increase in the rental income from Beijing Chemsunny World Trade Centre. Revenue from hotel operations increased by 13% over that of 2008 and accounted for 25% of the total revenue, which was primarily attributable to the increase in revenue from The Ritz-Carlton, Sanya and Westin Beijing, Chaoyang. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management and building decoration) accounted for 5% of the total revenue.



III. Cost of sales and gross profit margin

Cost of sales of the Group for the year ended 31 December 2009 was approximately HK$3,021.7 million (2008: HK$1,715.5 million) and the overall gross profit margin of the Group in 2009 dropped to 52% from 56% in 2008.

The gross profit margin of property development decreased from that of 2008 mainly because the gross profit margin from sales of Shanghai Port International Cruise Terminal Project this year was lower than that from sales of Beijing Chemsunny World Trade Centre in 2008; the increase in gross profit margin of property leasing was mainly driven by higher rental levels of office premises and lower operating costs this year; and the decrease in gross profit margin of hotel operations from that of 2008 was mainly due to the higher start-up costs of newly opened hotels. Gross profits margin of other business sectors were maintained at a normal level.

Gross profit margin by business segments

	For the year ended 31 December	
	2009 Gross profit margin (%)	2008 Gross profit margin (%)
Overall	**52**	56
Property development	**46**	51
Property leasing	**84**	81
Hotel operations	**48**	52
Others	**39**	36

IV. Other income and gains

Other income and gains of the Group for the year ended 31 December 2009 increased by 27% from HK$381.3 million in the same period of 2008 to approximately HK$485.6 million. The increase was mainly due to the fair value gains on investment properties held by the Group increased by 70% to HK$169.2 million, as compared with the fair value gains on investment properties of HK$99.4 million in 2008.

V. Selling and marketing expenses

Selling and marketing expenses of the Group for the year ended 31 December 2009 increased by 51% to HK$254.7 million, from HK$168.9 million in the same period in 2008, mainly because of the increase in selling and marketing expenses from newly opened hotels. Selling and marketing expenses comprise primarily the advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 4% (2008: 4%) of the Group's total revenue.

VI. Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2009 amounted to HK$552.5 million, representing an increase of 12% from HK$494.6 million in the same period in 2008. The increase was mainly attributable to the increase in depreciation and amortization expenses of the newly-opened hotels. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 9% (2008: 13%) of the Group's total revenue.

VII. Finance cost

Finance cost of the Group for the year ended 31 December 2009 was HK$500.0 million, representing an increase of 23% from HK$405.6 million in 2008. The increase in finance cost was mainly attributable to the increase in loans during the year.

VIII. Tax

The Group had a tax charge of HK$742.5 million for the year ended 31 December 2009, representing an increase of 85% from HK$401.8 million in 2008. The increase in tax charge was primarily attributable to the increase in profit before tax during the year. The Group's effective income tax rate for 2009 was 30% (2008: 27%).

IX. Profit attributable to owners of the parent

For the year ended 31 December 2009, profit attributable to owners of the parent amounted to HK$1,174.4 million, representing an increase of 30% compared with HK$900.9 million in 2008. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to HK$1,047.5 million, an increase of 27% compared with HK$826.6 million in 2008.

Basic earnings per share for the year were HK13.71 cents, a decrease of 7% compared with HK14.69 cents in 2008. The decrease in basic earnings per share was primarily attributable to the higher weighted average number of ordinary shares in issue of approximately 8,567.5 million shares in 2009 as compared with last year (2008: weighted average number of ordinary shares in issue of approximately 6,132.2 million shares), which further diluted the basic earnings per share. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was HK12.22 cents (2008: HK13.48 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December		Year-on-year
	2009 (HK$ million)	2008 (HK$ million)	change (%)
Profit attributable to owners of the parent	**1,174.4**	900.9	30
Less: fair value gains on investment properties, net of deferred tax	**(126.9)**	(74.3)	71
Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax	**1,047.5**	826.6	27
Basic earnings per share (in HK cents)	**13.71**	14.69	-7
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (HK cents)	**12.22**	13.48	-9

X. Investment properties

As at 31 December 2009, investment properties of the Group comprise the Central and West Tower of Beijing Chemsunny World Trade Centre, Jin Mao Tower (the leased portion) and Sinochem Tower. Investment properties increased from HK$11,359.4 million as at 31 December 2008 to HK$11,539.7 million as at 31 December 2009. The increase was mainly due to the appreciation of investment properties.

XI. Properties under development

As at 31 December 2009, the non-current portion of properties under development comprised property development costs for No.15 Guangqu Road, Beijing Project, Shanghai International Shipping Service Center, Shanghai Chongming Island Project and Yunnan Lijiang Project whereas the current portion of properties under development comprised property development costs for Site B of Shanghai Port International Cruise Terminal Project.

The increase in properties under development (current and non-current) from HK$6,736.5 million as at 31 December 2008 to HK$11,301.3 million as at 31 December 2009 was mainly attributable to the acquisition of land costs of No.15 Guangqu Road, Beijing Project and the costs incurred for other properties under development, which were partially offset by the transfer as a result of the completion of part of the units in Site B of Shanghai Port International Cruise Terminal Project.

XII. Properties held for sale

As at 31 December 2009, properties held for sale included the unsold portion of Zhuhai Every Garden Project, East Tower of the Beijing Chemsunny World Trade Centre and the unsold portion of parking spaces.

The decrease in properties held for sale from HK$616.1 million as at 31 December 2008 to HK$470.5 million as at 31 December 2009, was mainly attributable to the sales of Zhuhai Every Garden Project and part of the parking spaces in Beijing Chemsunny World Trade Centre.

XIII. Trade receivables

As at 31 December 2009, trade receivables were HK$227.4 million, representing an increase of 80% from HK$126.2 million as at 31 December 2008. The increase in trade receivables was primarily due to the receivables from the sales of some units in Site B of Shanghai Port International Cruise Terminal Project and Zhuhai Every Garden Project.

XIV. Trade and bills payables

As at 31 December 2009, trade and bills payables were HK$719.3 million, representing a decrease of 20% from HK$900.9 million as at 31 December 2008. The decrease in trade and bills payables was primarily due to the reduction in construction cost payable for the development of Site B of Shanghai Port International Cruise Terminal Project and Beijing Chemsunny World Trade Centre Project.

XV. Interest-bearing bank and other borrowings

As at 31 December 2009, interest-bearing bank and other borrowings (including current and non-current) were HK$16,512.1 million, representing an increase of 55% over HK$10,628.6 million as at 31 December 2008. The increase in interest-bearing bank and other borrowings was primarily due to the entrustment loans provided to subsidiaries of the Group by the Group and minority shareholders of its subsidiaries through financial institutions, as well as the external loans used for new project development.

Analysis of interest-bearing bank and other borrowings

	As at 31 December		Year-on-year
	2009	2008	change
	(HK$ million)	(HK$ million)	(%)
Interest-bearing bank and other borrowings (including current and non-current)	**16,512.1**	10,628.6	55
Less: entrustment loans	**(5,074.8)**	(2,394.2)	112
Loans pledged by bank deposits of the Group	**(364.6)**	(100.0)	265
Interest-bearing bank and other borrowings, net of entrustment loans	**11,072.7**	8,134.4	36

XVI. Gearing ratio

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less restricted bank balances, pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2009 and 31 December 2008 were as follows:

	As at 31 December	
	2009	2008
	(HK$ million)	(HK$ million)
Interest-bearing bank and other borrowings (including current and non-current)	**16,512.1**	10,628.6
Less: cash and cash equivalents	**(3,523.3)**	(5,046.8)
restricted deposits and pledged deposits	**(4,279.2)**	(1,314.3)
Net debt	**8,709.6**	4,267.6
Total equity	**17,946.9**	13,924.1
Add: amounts due to related parties	**71.0**	2,776.2
Adjusted capital	**18,017.9**	16,700.3
Net debt-to-adjusted capital ratio (%)	**48%**	26%

XVII. Liquidity and capital resources

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service the Group's indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank borrowings and issue of new shares.

As at 31 December 2009, the Group had cash and cash equivalents of HK$3,523.3 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2008: HK$5,046.8 million).

As at 31 December 2009, the Group had total interest-bearing bank and other borrowings of HK$16,512.1 million compared to HK$10,628.6 million as at 31 December 2008. An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2009	2008
	(HK$ million)	(HK$ million)
Within 1 year	**10,642.2**	6,539.7
In the second year	**443.0**	2,158.0
In the third to fifth years, inclusive	**3,510.8**	1,658.3
Over five years	**1,916.1**	272.6
Total	**16,512.1**	10,628.6

Interest-bearing bank and other borrowings of approximately HK$10,642.2 million repayable within one year shown under current liabilities include entrustment loans totalling approximately HK$4,824.9 million provided by the Group and minority shareholders of its subsidiaries to subsidiaries of the Group through financial institutions. It is expected that such entrustment loans will be renewed upon their maturity dates. All of the Group's borrowings are denominated in RMB and USD and bear interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2009, the Group had banking facilities of HK$21,798.2 million denominated in RMB and USD. The amount of banking facilities utilised was HK$15,376.3 million. On 31 December 2007, members of the Group entered into an entrustment loan framework agreement, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the framework agreement. This agreement came into effect on 1 January 2008. During the Year, the amount of entrustment loan transactions between members of the Group amounted to HK$879.1 million.

The Group's net cash outflow of HK$1,519.1 million for the year ended 31 December 2009 consisted of:

1. A net cash outflow of HK$3,829.6 million from operating activities, which was mainly attributable to the payment of land cost of No.15 Guangqu Road, Beijing Project, which was partially offset by the receipt of the proceeds derived from the sales of properties, and property rental and revenue from hotel operations.

2. A net cash outflow of HK$4,477.0 million from investing activities, which was mainly attributable to the settlement of cash consideration for the acquisition of Jin Mao Group, purchase of fixed assets for hotels and increase in pledged deposits.

3. A net cash inflow of HK$6,787.5 million from financing activities, which was mainly attributable to the proceeds from share placing of the Group and addition of bank loans and other borrowings, partially offset by repayments of bank and other borrowings and payment of dividends for 2008.

XVIII. Pledge of assets

As at 31 December 2009, the Group's interest-bearing bank and other borrowings were secured by the Group's hotel properties and buildings of HK$1,645.7 million, land use rights of HK$547.1 million, investment properties of HK$7,476.7 million and bank deposits of HK$4,276.3 million.

XIX. Contingent liabilities

As at 31 December 2009, the Group provided guarantees in respect of mortgage loans for the buyers of Zhuhai Every Garden Project of HK$259.0 million. Pursuant to the contract, these guarantees will be released upon the issuance of the property ownership certificates to the buyers. Provision of guarantees is a common practice of the real estate industry in the PRC.

XX. Capital Commitments

The Group had the following capital commitments at the balance sheet date:

	As at 31 December	
	2009 (HK$ million)	2008 (HK$ million)
Contracted, but not provided for capital expenditure in respect of land and buildings	**–**	171.6
Contracted, but not provided for capital expenditure in respect of properties under development	**80.0**	165.4
Total	**80.0**	337.0

XXI. Market Risk

The Group's assets are predominantly in the form of land use rights, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realized.

XXII. Interest Rate Risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. The Group does not currently use any derivative instruments to manage the interest rate risk.

XXIII. Foreign Exposure Risk

Substantially all of the Group's revenue and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. The Group has not currently engaged in hedging to manage its currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

XXIV. Events after Reporting Period

Details of significant events of the Group after the reporting period are set out in note 41 to the financial statements.

Investor Relations Report

"Since August 2009, Franshion Properties has been included in Morgan Stanley Capital International China Index"

Investor relations activities for 2009

January

Participated in the investors meeting held by Deutsche Bank in Beijing

April

Announced final results for 2008
– Held press conference
– Held analysts meeting
Participated in non-transaction related roadshow in Hong Kong
Participated in non-transaction related roadshow in Singapore
Participated in non-transaction related roadshow in UK

May

Participated in the investors meeting held by Citigroup in Hong Kong
Participated in the investors meeting held by Deutsche Bank in Hong Kong
Participated in the investors meeting held by CLSA in Hong Kong

June

Held analysts reverse roadshow in Shanghai

July

Participated in the investors meeting held by Nomura in Singapore
Participated in the investors meeting held by Morgan Stanley in Hong Kong
Participated in the investors meeting held by Credit Suisse in Hong Kong

August

Participated in the investors meeting held by Citigroup in Chongqing

September

Announced interim results for 2009
– Held press conference
– Held analysts meeting
Participated in non-transaction related roadshow in Hong Kong
Participated in non-transaction related roadshow in Singapore
Participated in the investors meeting held by CLSA in Shanghai
Participated in the investors meeting held by UBS in Hong Kong

November

Participated in the investors meeting held by Goldman Sachs in Beijing
Participated in the investors meeting held by Morgan Stanley in Singapore
Participated in non-transaction related roadshow in Europe

December

Participated in the investors meeting held by CLSA in Hong Kong
Participated in the investors meeting held by Merrill Lynch in Hong Kong

Communication with shareholders

The Company considers that effective communication is essential for establishing sound interaction with its shareholders. The Company is committed to providing its existing and potential investors with accurate and timely information, and keeping a close two-way communication by various means, thereby enhancing the transparency of information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advices on the Company's performance.

The Company has maintained an effective two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report and interim report – they are distributed to shareholders and investors pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange (the "Stock Exchange") and also analysts who are interested in the Company's performance;

- Annual general meeting – the Chairman and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;
- The Company's interim and final results announcement conference – announce the Company's interim or final results and respond to investors' and the media's inquiries;
- Disclosure of the Company's information on its own initiative – the Company will, through different means, including investors meetings, extraordinary shareholders' meetings, telephone conferences, press releases and media interviews etc., timely announce material information about the Company to the market, and timely respond to inquiries by investors and analysts;
- Periodic meetings with institutional investors and securities analysts on its own initiative – provide information in relation to the Company's latest business development to attract more attention from the market. The management of the Company regularly participates in internationally non-transaction related roadshow activities held after the publication of annual reports and interim reports to respond to queries on the Company's growth strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company.
- Arrange on-site visit and reverse roadshows for investors – to promote investors' understanding of the Company's development by arranging on-site visit of various projects of the Company and enable them to have direct communication with the management.

In 2009, the Company's management participated in various investors meetings, including institutional investors' conferences and non-transaction related international roadshows (including those in Hong Kong, Europe, Singapore), to promote our exposure to international and Hong Kong investors. During the Year, the Company received more than 400 investors, and hosted over 100 investors to visit our project sites in Shanghai, Beijing, and Sanya. In particular, our investor relations department organised a large-scale reverse roadshow activity for investors and analysts to visit our Shanghai Port International Cruise Terminal project and Shanghai International Shipping Service Center project in June 2009, and received positive feedback from the participants.

Feedback from investors

The Company regards investors' feedback as highly important. During the Year, the Company conducted several surveys on investors' and analysts' opinions to have an understanding of the effectiveness of our investor relations function in a timely manner. The Company will further improve the communication quality based on the investors' feedback to facilitate closer communications with investors and analysts in future.

Market Recognition and honours

The Company's 2008 annual report won three awards in the 23rd ARC International Awards: Bronze Award (Overall Annual Report – Real Estate Development/SVC – Global/ Commercial); Silver Award (Overall Annual Report – Real Estate Development/Service: Commercial/Industrial) and Gold Award (Interior Design – Hotel & Leisure). The Company was nominated for the first time for such international award and its efforts in investor relations and corporate information disclosure were widely recognized in the industry.

Prospects of our investor relations work

The Company will continue to aggressively strengthen our investor relations efforts to facilitate closer communications with public investors and analysts. The Company is committed to full compliance with the disclosure obligations provided in the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and to enhance the Group's corporate governance standards and transparency, with a view to gaining more trust and support from investors.

Contact details for investors:

Tel: 852-28299521
Fax: 852-28240300
E-mail: franshion@sinochem.com

Corporate Social Responsibility Report

I. Social and community contributions

The Group strives to pursue sound corporate citizenship, to participate in social and community activities, and to improve the Group's and its employees' awareness of social responsibility through different channels and means. In addition, the Group is also committed to practicing the philosophy of "one who benefits from the society shall repay the society", so as to help establish a harmonious society.

The Group showed continuous enthusiasm in daily social and welfare activities, particularly the physical and psychological development of disabled children in China. Our Jin Mao Group organized a grand charity auction at its 10th anniversary celebration dinner and donated all moneys to improve the medical facilities for pediatric ophthalmology in Yunnan and Inner Mongolia and to extend the medical service coverage to the deprived towns and villages nearby in order to bring light to those children who were suffering from eye diseases. The Group frequently arranges employees to visit the "Blind Children Rehabilitation Centre" there so as to send to the children warm clothes and nutritious foods donated by its employees.

The Group regularly disseminates scientific and general information on health to the public. The Group organized "cooking classes" through its hotels to raise the awareness on healthy and scientific cooking. As the Women's Day approached, the Group organized a special campaign titled "Beautiful Body and Soul for Quality Women" M – Salon to promote the scientific and general information on health to female friends and help them discover their beauty through distributing free health magazines and inviting famous stylists to create a brand new image for them.

II. Environmental protection

The Group always emphasizes environmental protection. Apart from complying with environmental protection law and provisions promulgated by the central, provincial and municipal governments of the PRC, we also strive to incorporate the environmental protection concept into all stages of implementation of our projects. In designing stage, we integrate essential environmental protection control system into the design of the relevant project; while in implementation stage, the Group will only employ high-quality, experienced and highly qualified contractors that are believed to strictly comply with the environmental protection regulations to undertake the work, and will also appoint an independent third party advisor to monitor the compliance with environment, society, sanitation and safety regulations. When a project is completed, the Group shall obtain relevant reports approved by environmental authorities before transferring that project to the clients.

Leveraging on its unique technology in design and advanced energy saving and environmental protection, the Group's Beijing Chemsunny World Trade Centre was recognised as one of the "Top 10 Office Buildings" in Beijing. The Group's Shanghai Port International Cruise Terminal has been installed with advanced intelligent and energy-saving facilities to ensure lower energy consumption and save resources. Moreover, the Group collaborated with the local science and technology institutions in Shanghai and applied low carbon technologies in the Shanghai Chongming Island Project (under construction), striving to shape it as the model project in the local low carbon community.

III. Safety management

The Group strives to reduce potential safety risks through selecting qualified and experienced partners. We believe these partners have enormous experiences, and have strong ability to tackle the risks arising from the construction works. All the contractors engaged by the Group have prepared relevant emergency plans, to ensure a prompt response will be made when emergencies take place. The Group has also established HSE management department, which assumes liability to carry out safety inspections on construction projects, to ensure that appropriate facilities are equipped at the construction site and safety management system are implemented, thereby minimising the risk of occurrence.

Our Westin Beijing, Chaoyang was accredited as the "Advanced Fire Safety Unit" by Beijing Fire Prevention Bureau and some of its employees were named as the "Advanced Individuals" by the local government. Its property management company, Shanghai Jin Mao Imtech Facility Services Co., Ltd., earned the title of "Safety Unit" in Shanghai. Our Grand Hyatt Shanghai endeavours to enhance the standard of food hygiene and safety and was officially granted the internationally recognized ISO22000 food safety management system certification in November 2009, thus becoming the first 5-star hotel in Shanghai and the first hotel under Hyatt Group to obtain such certification.

To cope with emergencies such as fire hazards, particularly fire-fighting and rescue in high-rise buildings, our Jin Mao Group has established a designated fire safety team upon inception for daily safety patrol, handling of emergencies and promotion of fire safety. After years of operation and management, it has accumulated extensive experience and become the role model of the Fire Safety Department in Shanghai. The team not only is responsible for the safety of its own building, but also participates in fire-fighting and victim rescue activities occurred in vehicles near the building, thereby enhancing the Company's brand image and influence as well as undertaking the Company's social responsibilities. At the same time, in order to raise the awareness on fire safety and self-prevention/self-rescue ability among its tenants and employees, and examine the emergency operation of the fire safety facilities and devices of the building, the Group has organized a large-scale fire drill in 2009 for a number of operating units thereunder and arranged its employees and tenants to complete the drill.

IV. Employee development

As at 31 December 2009, the Group had 5,768 employees, mainly staff working in Mainland China. The Group always views human resources as its foundation for development. Accordingly, it is committed to grooming its staff and helping them to achieve their full potential, so as to ensure an ability to complete their relevant works. For this purpose, we create a sound working environment and provide competitive salaries and other benefits, including retirement plan, medical insurance plan, accident insurance plan, unemployment insurance plan and housing grants. The Group will periodically review its salary level according to market standard.

The Group encourages its staff to take further studies, subsidizes them to participate in external courses and conferences that are related to their works, and provides internal trainings to improve their skills. The Group provides a series of training courses, covering leadership skills, business strategies and technical skills. The Group has also designed systematic training plans for its newly recruited staff, to enable them to understand the Company's corporate culture and perform their duties without delay. Management staff can also participate in seminars presided over by experts, which will improve their abilities in human resource management and leadership techniques, thereby ensuring them a better technique in human resource management, and enabling them to lead their teams and fulfill their goals efficiently.

The Group focuses on its staff's safety and health. Apart from purchasing medical and accident insurance plans for them, the Group also organises its staff to go through health screening periodically and provides them with sports premises and facilities, to strengthen their body. The Group also held several recreational activities, including singing contest, staff basketball game and staff soccer game, which were well received by its staff.

The Group emphasizes promotion of its team construction and corporate culture. During the Period under Review, the Group organized a team-building activity under the theme of "Embrace Tomorrow and Establish Harmonious Franshion Team" for its staff, with more than a hundred of representatives participated. Such activity further enhanced the understanding of staff at all levels and effectively strengthened our team's solidarity and competitiveness.

Profile of Directors and Senior Management

Mr. LUO Dongjiang

Mr. HE Cao

Directors

Mr. LUO Dongjiang
Chairman and non-executive Director
Mr. LUO, who was born in 1954, joined the Company in September 2009 to act as the Chairman and non-executive Director of the Company. Mr. LUO was appointed as the Vice President of Sinochem Group in November 1998. He resigned his position as the Vice President of Sinochem Group subsequently due to his appointment as the General Manager of Sinochem International Corporation, and was re-designated as the Vice President of Sinochem Group in July 2001. During his work with Sinochem Group for more than 20 years, Mr. LUO had served as a General Manager of the Planning Department of Sinochem Group, a General Manager of the Sinochem International Rubber Company, an Executive Deputy General Manager of China Foreign Economy and Trade Trust & Investment Co., Ltd., a General Manager of Sinochem Asia Group, the Chairman of Sinochem South Korea Corporation, a General Manager of the Business Development Department of Sinochem Group, a General Manager of Sinochem International Corporation, the Chairman of Sino-Ocean Land Holdings Limited, the Chairman of Beijing Chemsunny Property Company Limited, a director of China Jin Mao (Group) Co., Ltd., the Vice Chairman and non-executive director of Sino-Ocean Land Holdings Ltd. and the Chairman of Sinochem International Corporation, etc., from which he has accumulated extensive experience in business management. During his appointment as the General Manager of Sinochem International Corporation, Mr. LUO had successfully made the listing of that company's A shares on the Shanghai Stock Exchange. Currently, Mr. LUO is a member of the Party Committee, Head of Discipline Inspection Group, Secretary of the directly affiliated Party Committee and the Chief Legal Counsel of Sinochem Group and the Chairman of the Supervisory Committee of Sinochem Corporation. Mr. LUO obtained a Bachelor's Degree in Economics from Xiamen University in 1982.

Mr. HE Cao
Vice Chairman and Chief Executive Officer
Mr. HE, who was born in September 1955, joined the Company in February 2009, and served as the Chairman and non-executive Director of the Company until 17 September 2009. He was re-designated as the executive Director of the Company, Vice Chairman and Chief Executive Officer of the Company on 18 September 2009. Mr. HE joined Sinochem Group in 1979 and had held a number of senior positions in finance management, corporate governance and investment enterprises of Sinochem Group before he was appointed as Assistant President in 2002. Since 2002, Mr. HE has been the President, Vice Chairman and Chairman of the board of directors of China Jin Mao (Group) Company Limited, successfully operating Shanghai Jinmao Tower and grasping the development opportunities in the industry. Mr. HE participated in the investment, acquisition and development of luxurious five-star hotels and properties in a host of first-tier cities and premium resorts. Through the establishment of strategic partnership with internationally-renowned hotel management agencies, Mr. HE has developed Jin Mao Group into a prestigious high-end commercial real estate developer and operator in China. Mr. HE has over 20 years of experience in corporate governance, hotel and property investment, development and operation. Mr. HE graduated from Jilin Finance and Trade College in 1978 and majored in economics at Renmin University of China from 1983 to 1986. Mr. HE obtained a master's degree in business administration from China Europe International Business School in 2004. Mr. HE has been a delegate of the 12th and 13th session of the People's Congress of Shanghai Municipality since 2003 and was awarded the title of Model Worker of Shanghai in 2007.

Ms. LI Xuehua

Mr. WANG Hongjun

Mr. HE Binwu

Ms. LI Xuehua
Vice Chairman and non-executive Director

Ms. LI, who was born in January 1958, joined the Company in December 2005 and served as an executive Director and Chief Executive Officer of the Company and Director of certain of its subsidiaries until 17 September 2009. Since 18 September 2009, Ms. LI has been the Vice Chairman and non-executive Director of the Company and has ceased to act as the Director of the subsidiaries of the Company. Currently, Ms. LI is the General Manager of Sinochem Hong Kong (Group) Co., Ltd.. She joined Sinochem Group in October 2004 as Deputy General Manager of Sinochem Kingsway Capital Inc., and was an executive Director of Sinochem Kingsway Asset Management Limited. She was also a Director of Sino-Ocean Land Holdings Limited from July 2006 to March 2007. Prior to joining Sinochem Group, Ms. LI had held various senior financial management positions in China National Machinery Import and Export Corporation. Ms. LI has over 20 years of experience in corporate finance management. Ms. LI earned a diploma certificate from Jingqiao University of China in 1987 and a Master's degree from University of International Business and Economics in 1997.

Mr. WANG Hongjun
Non-executive Director

Mr. WANG, who was born in November 1964, joined the Company in March 2007 and has been a non-executive Director of the Company since then. He joined Sinochem Group in June 1995 and has been the General Manager of the strategic planning department of Sinochem Group since 2004. Currently, he is a non-executive Director of Sinochem Ningbo Ltd., Sinochem Qingdao Industrial Co., Ltd., Sinochem International Tendering Co., Ltd., China Foreign Economy and Trade Trust & Investment Co., Ltd., China New Technology Development and Trade Co., Ltd. and Sinochem Japan Co., Ltd.. He has over 10 years of experience in corporate management. Mr. WANG earned a Bachelor's degree from Shenyang Institute of Construction and Engineering in 1985, a Master of Economics degree from Renmin University of China in 1991 and a Master's degree in executive business administration from CEIBS in 2003.

Mr. HE Binwu
Executive Director and Vice President

Mr. HE, who was born in November 1948, has been an executive Director and the Vice President of the Company since June 2004 (date of incorporation of the Company). He has served as a Director and Deputy General Manager of Franshion Company Limited since 1987. He joined Shanghai Pudong Jinxin Real Estate Development Co., Ltd. in January 1995 and has been a Director and General Manager since then. He is currently also the Managing Director of Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai International Shipping Service Center Development Co., Ltd.. He served as a non-executive Director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from July 2003 to September 2006. Mr. He has over 20 years of experience in the property development industry. He was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006, 2007 and 2009. Mr. HE earned a diploma certificate from Shanghai Jiao Tong University in 1976.

Mr. JIANG Nan

Mr. LAU Hon Chuen, Ambrose

Mr. JIANG Nan
Executive Director and Chief Financial Officer

Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer and has been involved in the day-to-day management of the Company since then. He has been an executive Director of the Company since March 2007. He is responsible for the direction, management and strategic planning of finance, capital market and investor relations of the Company. He joined Sinochem Group in August 1995 and worked in the Finance Department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006 responsible for handling its financial management and investment affairs and the operation of the overseas funds of Sinochem Group. He is currently an executive Director of Sinochem International Property & Hotel Management Co., Ltd. and Beijing Chemsunny Property Company Limited, and a non-executive Director of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai International Shipping Service Center Development Co., Ltd. and China Jin Mao (Group) Company Limited. He has over 15 years of experience in corporate finance and accounting management. Mr. JIANG earned a Bachelor's degree in finance from the China Institute of Finance in 1995 and a Master's degree in finance from Central University of Finance and Economics in 2003. He obtained Accounting Qualification Certificate in 1999 and is now a member of The Association of International Accountants (AIA).

Mr. LAU Hon Chuen, Ambrose
Independent non-executive Director, G.B.S., J.P.

Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive Director of the following listed companies: Brightoil Petroleum (Holdings) Limited, Glorious Sun Enterprises Ltd., Guangzhou Investment Co., Ltd., GZI Transport Ltd., Qin Jia Yuan Media Services Co., Ltd., The Hong Kong Parkview Group Ltd. and Wing Hang Bank, Ltd. He served as an independent non-executive Director of Beijing Enterprises Holdings Limited between 1997 and 2008. He is the Director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. LAU also served as Chairman of the Central and Western District Board between 1988 and 1994, President of the Law Society of Hong Kong from 1992 to 1993, Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has over 35 years of experience in legal practice and over ten years of experience in corporate management. Mr. LAU obtained a Bachelor of Laws degree from the University of London in 1969 and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public.

Professor SU Xijia

Professor LIU Hongyu

Professor SU Xijia
Independent non-executive Director

Professor SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He has been an assistant professor since 1996 and later an associate professor in the Department of Accountancy of City University of Hong Kong. He is also an associate professor of Guangzhou Ji-Nan University and Shanghai University of Finance and Economics. His research focuses on corporate governance and auditing practices of the listed companies in China. He has also been appointed as the Special Investigator by the CICPA since 2005. He has also given lectures at CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He has served as an independent Director of Shenzhen SEG Co., Ltd, a company listed on the Shenzhen Stock Exchange since June 2002. He also serves as an independent Director of Shenzhen Topray Solar Co., Ltd. since February 2007. Professor SU has over 20 years of experience in corporate governance and accounting practice. He worked as an audit assistant for Da Hua Certified Public Accountants Co., Ltd (now Ernst & Young Dahua Certified Public Accountants Co., Ltd.) in 1984 and worked in the Xiamen University Certified Public Accountants Co., Ltd. from 1987 to 1988. Professor SU earned a Bachelor's degree and a Master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Professor LIU Hongyu
Independent non-executive Director

Professor LIU, who was born in October 1962, has been an independent non-executive Director of the Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000 and since April 2000 he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996 he has also been Director of the Institute of Real Estate Studies of Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. He has served as an independent Director of a Shenzhen Stock Exchange listed company, COFCO Property (Group) Co., Ltd. since April 2006, and an independent Director of a Shenzhen Stock Exchange listed company, China Merchants Property Development Co., Ltd. and a Shanghai Stock Exchange listed company, (北京首開股份有限公司) Beijing Shoukai Holdings Co., Ltd. from 2002 to 2008 and from 2002 to 2009 respectively. He is a vice Chairman of the China Institute of Real Estate Appraisers and Agents and a Director of Asian Real Estate Society. He is also a Hon. Professor of the University of Hong Kong and a Fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 20 years of experience in real estate industry and construction engineering. Professor LIU earned a Bachelor's degree in Structural Engineering and a Master's degree in Management Engineering from Tsinghua University in 1985 and 1988, respectively. He is also a qualified real estate appraiser in the PRC.

Mr. NGAI Wai Fung

Dr. GAO Shibin

Mr. NGAI Wai Fung
Independent non-executive Director

Mr. NGAI, who was born in January 1962, has been an independent non-executive Director of the Company since May 2007. He has been an independent non-executive Director in each of China Railway Construction Corporation Limited, Bosideng International Holdings Limited, BaWang International (Group) Holding Limited and Sany Heavy Equipment International Holdings Company Limited. He also served as an independent non-executive Director of China Chief Cable TV Group Limited between 2004 and 2007 and an independent non-executive Director of China Life Insurance Company Limited between 2006 and 2009. He is also the Director and Head of Listing Services of KCS Hong Kong Limited (formally the corporate services division of KPMG and Grant Thornton), Vice President of the Hong Kong Institute of Chartered Secretaries and the Chairman of its Membership Committee. Mr. NGAI is a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, a member of the Association of Chartered Certified Accountants in the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Hong Kong Securities Institute. He has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers. Mr. NGAI graduated from University of Wolverhampton with an honour's degree in law and from Andrews University, Michigan with a Master's degree in Business Administration. He graduated from the Hong Kong Polytechnic University with a Master's degree in Corporate Finance. He is studying a doctorate degree (thesis stage) in Finance at Shanghai University of Finance and Economics.

Dr. GAO Shibin
Independent non-executive Director

Dr. GAO, who was born in March 1964, has been an independent non-executive Director of the Company since July 2007. Dr. GAO has been the Senior Deputy President and General Manager of Tishman Speyer, Beijing Division since October 2009. He served as the Managing Director of 渣打銀行亞洲房地產基金管理公司 (Standard Chartered Asia Real Estate Fund Management Company), PRC Division from June 2008 to September 2009. Dr. GAO worked with Jones Lang LaSalle in the PRC from 2003 to 2008. Before his resignation, he was the Director of PRC Division responsible for managing real estate transactions and advising institutional investors in relation to real estate investments, developments, asset purchases and disposals in China. He had worked as project manager, senior business manager or senior investment manager for several investment and management companies in the UK, Hong Kong and Canada between 1996 and 2003, and was involved in development, operation and management of real estate investments and in risk management of real estate portfolios. He has over ten years of experience in real estate investment and management industry. Dr. GAO earned a Bachelor's degree in Building Engineering and a Master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in 1998. Dr. GAO is a member of the Royal Institution of Chartered Surveyors.


Mr. LI Congrui


Mr. ZHANG Hui


Ms. LAN Haiqing


Mr. GAI Jiangao


Mr. LIAO Chi Chiun

Other senior management

Mr. LI Congrui
Mr. LI, who was born in March 1971, has been the Vice President of the Company since April 2009. Mr. LI joined Sinochem Group in 1997, and has worked in various management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. Since 2003 and prior to joining the Company, Mr. LI was a Director and General Manager of 舟山國家石油儲備基地有限責任公司 (Zhoushan State Oil Reserve Base Company Limited). Mr. LI has accumulated rich experience in appraisal and analysis on project investment, investment decisions, corporate governance, project control and large-sized project construction. He was also familiar with corporate management in strategies, organization, procedures and human resources. Mr. LI obtained a Bachelor's degree from the petroleum department of China University of Geosciences (Wuhan) in 1994. He received a Master's degree in petroleum from the Research Institute of Petroleum Exploration & Development in 1997 and a Master of business administration from CEIBS in 2007.

Mr. ZHANG Hui
Mr. ZHANG, who was born in October 1970, has been the Vice President of the Company since January 2010. Mr. ZHANG joined Sinochem Group in 2002 and had held a number of senior positions in Shanghai Orient Terminal Co., Ltd.. Since 2005, he has been the Director and General Manager of Shanghai Orient Terminal Co., Ltd.. Prior to joining Sinochem Group, Mr. ZHANG worked in Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has about 15 years of experience in large-scale project development, planning, analysis and assessment of investment projects management of construction projects and management of corporate operations. Mr. ZHANG graduated from China University of Geosciences with a Bachelor's degree in reservoir engineering in 1995 and obtained a Master's degree in business administration from CEIBS in 2008.

Ms. LAN Haiqing
Ms. LAN, who was born in July 1966, was appointed as the Vice President of the Company in December 2007. Ms. LAN has served as the Chairman and General Manager of Wangfujing Hotel Management Co., Ltd. since February 2005 and January 2002 respectively. From May 1997 to December 2001, she was the General Manager of Golden Beach Hotel, Qingdao. She has over 20 years of hotel management experience. Ms. LAN has accumulated advanced practical experience in the research, development and analysis of real estate integrated projects, investment analysis and operational management. Ms. LAN graduated from Ocean University of China in 1988 and obtained a postgraduate diploma from Les Roches School of Hospitality Management in Switzerland in June 2000.

Mr. GAI Jiangao
Mr. GAI, who was born in November 1974, has been the Vice President of the Company since January 2007. Mr. GAI joined Sinochem Group in July 2000 taking charge of litigation matters and real estate legal matters and served as Deputy General Manager of the Legal Department from 2005 to January 2007. Prior to joining Sinochem Group, he worked in Rong Bao Zhai, responsible for risk control and auction of artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. GAI earned an LLB degree from the Capital University of Economics and Business in 1997. He obtained a Master's degree in business administration from Guanghua School of Management, Peking University in 2010. He has been qualified as a PRC lawyer since March 2000, obtained the qualification of enterprise legal counsel in January 2003, and earned the capacity of an associated member of Hong Kong Institute of Chartered Secretaries in July 2008.

Mr. LIAO Chi Chiun
Mr. LIAO, who was born in January 1968, has been the Chief Accountant of the Company, Qualified Accountant and Company Secretary since March 2007. Before joining the Company he served as accountant of S E A Holdings Ltd between 1997 and 2006. He has over ten years of experience in Hong Kong and PRC accounting practice relating to property leasing and developments. Mr. LIAO holds a BA (Hons) Accounting degree from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Corporate Governance Report

Code on corporate governance

Since its establishment, the Company has been committed to enhancing its corporate governance standards. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except as described below, and most of the recommended best practices set out in the Code on Corporate Governance Practices ("Corporate Governance Code") in Appendix 14 of the Listing Rules. The Company will continue to improve its corporate governance practices by emphasizing the maintenance and enhancement of a quality board, sound internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintaining its long-term healthy development and is in the interests of its shareholders.

Code provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director may be elected by the shareholders at the first annual general meeting after the appointment. There exists minor difference between the practices of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Directors who fill casual vacancy will not affect adversely the operations of the Company.

In 2009, the Company complied with all provisions of its own code on corporate governance.

Board of Directors

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management. In order to discharge its responsibilities, the Board has established and adhered to clear operating policies and procedures, reporting lines and delegated authority. The management are authorised to handle the daily operational affairs of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditure as well as proposing changes in areas critical to the Group's performance;
- strategic capital investments and new projects, which are subject to stringent project approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;
- financial and operational performance, which are subject to overall strategic planning as well as the implementation and maintenance of the monitoring system for financial and operational performance;
- management of relationship among parties who have interests in the Company, which is conducted through ongoing communication with partners, governments, customers and other parties who have interests in the business of the Company; and
- risk management, which is conducted through ongoing verification on the review reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company.

At the date of this report, the Board consisted of the following 11 Directors:

Non-executive Directors
LUO Dongjiang (Chairman)
Ms. LI Xuehua (Vice Chairman)
Mr. WANG Hongjun

Executive Directors
Mr. HE Cao (Vice Chairman & Chief Executive Officer)
Mr. HE Binwu (Vice President)
Mr. JIANG Nan (Chief Financial Officer)

Independent Non-executive Directors
Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Mr. HE Cao resigned as a non-executive Director and the Chairman as well as a member of the Remuneration and Nomination Committee of the Company on 17 September 2009. At the same time, **Mr. LUO Dongjiang** was appointed by the Board as a non-executive Director and the Chairman as well as a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 17 September 2009 with effect from 18 September 2009 and will be subject to election by shareholders at the first annual general meeting after the appointment.

Ms. LI Xuehua resigned as the Chief Executive Officer and chairman of the Investment Committee of the Company and was appointed as a non-executive Director and Vice Chairman of the Company on 17 September 2009. Meanwhile, **Mr. HE Cao** resigned as a non-executive Director, the Chairman and a member of the Remuneration and Nomination Committee of the Company. The Board appointed **Mr. HE Cao** as an executive Director, the Vice Chairman, the Chief Executive Officer and the chairman of the Investment Committee of the Company on 17 September 2009 with effect from 18 September 2009.

Biographical details of the Directors are set out on pages 64 to 68 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of legal actions against its Directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfill their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are independent from the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interest and management process, ensures that adequate check and balance are provided and that the interests of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interests of shareholders, other related parties and the Group.

The Company has five independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each independent non-executive Director has confirmed his independence to the Company, and the Company considers these Directors to be independent under the guidelines set out in rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquires and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsel and other professionals for independent advice at the Company's expense as and when the need arises.

Board meetings

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company always makes proper arrangements to give all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing the agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from consents obtained through circulation of written resolutions to all Board members, the Board met 7 times and entered into nine Board written resolutions separately in respect of other special matters during the Period under Review at which the Directors considered and approved significant matters including the placing of shares, the 2008 annual results report and the 2009 interim results report of the Company. Individual attendance of each Director at such Board meetings during 2009 is set out below:

Position	Name	Meetings Attended	Attendance Rate
Non-executive Director	Mr. LUO Dongjiang*	1/1	100%
Non-executive Director	Mr. PAN Zhengyi**	1/1	100%
Non-executive Director	Ms. LI Xuehua	6/7	86%
Non-executive Director	Ms. LI Lun***	4/4	100%
Non-executive Director	Mr. WANG Hongjun	6/7	86%
Executive Director	Mr. HE Cao	7/7	100%
Executive Director	Mr. HE Binwu	6/7	86%
Executive Director	Mr. JIANG Nan	7/7	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	7/7	100%
Independent non-executive Director	Professor SU Xijia	7/7	100%
Independent non-executive Director	Professor LIU Hongyu	7/7	100%
Independent non-executive Director	Mr. NGAI Wai Fung	7/7	100%
Independent non-executive Director	Dr. GAO Shibin	7/7	100%

* LUO Dongjiang was appointed as the Chairman and a non-executive Director of the Company on 18 September 2009 and attended all board meetings since then.

** Mr. PAN Zhengyi resigned as the Chairman and a non-executive Director of the Company on 13 February 2009 and attended all board meetings before then.

*** Ms. LI Lun resigned as the Vice Chairman and a non-executive Director of the Company on 28 July 2009 and attended all board meetings before then.

The Directors are given clear information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services of the company secretary to ensure compliance with all procedures of the Board meetings. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with, and to enhance their awareness of, good corporate governance practices.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. He Cao was appointed as the Chairman and a non-executive Director of the Company by the Board on 13 February 2009 and subsequently resigned on 17 September 2009. He was redesignated as the Vice Chairman and executive Director of the Company on 18 September 2009. Mr. LUO Dongjiang was appointed as the Chairman and a non-executive Director of the Company by the Board on 18 September 2009. Ms. LI Xuehua had served as the Chief Executive Officer of the Company since the listing of the Company and resigned from the Chief Executive Officer of the Company on 17 September 2009. Since 18 September 2009, Mr. He Cao has acted as the Chief Executive Officer of the Company.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balance of power and authority. The Chairman of the Company is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. He makes effective plans for Board meetings and ensures the Board act in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is responsible for the daily operation of the business of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

Rules for nomination, appointment, re-election and removal of Directors

The Company has a set of formal, prudent and transparent procedures for the appointment and replacement of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; and the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company, are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period after the date of dispatch of the notice of the meeting to 7 days before the date of the general meeting. The Remuneration and Nomination Committee of the Company may also provide relevant advices to the Board in respect of the nomination. Qualifications and competence of the nominees should be considered during nomination.

Responsibilities of Directors

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skill as executive Directors.

The non-executive Directors of the Company possess sufficient experience and talent and fully participate in the Board to fulfill the functions specified in the provisions A.5.2(a) to (d) of the Code on Corporate Governance.

Responsibility in respect of the financial statements

The Board is responsible for the preparation of financial statements of each financial year which give a true and fair view of the operating results and state of affairs of the Company. In preparing the financial statements, the Directors of the Company have selected appropriate accounting policies and applied them consistently, and have made judgments that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors Report" on pages 96 to 97.

The Board Committees

In order to review the special matters, the Company has established four Board Committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Investment Committee.

Remuneration and Nomination Committee

As of the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Professor SU Xijia and Mr. LUO Dongjiang, all being non-executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

– to review the size and composition of the Board based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to review the qualifications and abilities of the candidates for directorship and management and make recommendations;

– to make recommendations to the Board on the policy and structure for all remuneration and share option scheme of Directors and other senior management and on the establishment of a set of formal and transparent procedures for developing policy on such remuneration; and

– to determine the specific remuneration packages of all executive Directors and other senior management.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

Two meetings were held and two written resolutions were entered into separately by the Remuneration and Nomination Committee in 2009 to review and approve the appointment of some senior management personnel with a view to strengthening and consolidating the Company's human resources and improving the corporate governance structure, and to determine the remuneration proposal for Directors and senior management based on the results performance of the Company and with reference to the industry practices. Individual attendance of each member at such meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Professor SU Xijia	2/2	100%
Non-executive Director	Mr. LUO Dongjiang*	1/1	100%
Non-executive Director	Mr. PAN Zhengyi**	1/1	100%

* Mr. LUO Dongjiang was appointed as a Director and a member of the Remuneration and Nomination Committee of the Company on 18 September 2009 and attended all relevant meetings since then.

** Mr. PAN Zhengyi resigned as a Director and a member of the Remuneration and Nomination Committee of the Company on 13 February 2009 and attended all relevant meetings before then.

The Audit Committee

The Audit Committee is responsible for communicating with management and the internal and external auditors, as well as reviewing and overseeing the Company's financial reporting and audit processes jointly with them. As of the date of this report, the members of the Audit Committee are Professor SU Xijia, Professor LIU Hongyu, Mr. WANG Hongjun and Mr. NGAI Wai Fung. The chairman of the Audit Committee is Professor SU Xijia. All members of the Audit Committee have financial and/or legal backgrounds which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company as well as to impartially discharge their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remunerations and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

– to develop and implement policies on the engagement of external auditor for non-audit services;

– to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

- to review the Group's financial and accounting policies and practices, to review the external auditor's management letter, and to respond to any queries raised by the management and the Board.

During 2009, financial reporting and control reviews undertaken by the Audit Committee include the following:

- reviewed the completeness and accuracy of the 2008 Annual Report, the 2009 Interim Report and formal announcements relating to the Group's financial performance;

- reviewed the means of communication between external auditors and the internal audit department; and

- conducted special research on the decision-making procedures for the investment in Beijing No.15 Guangqu Road Project.

The Audit Committee held four meetings in 2009. The attendance of individual members at Audit Committee meetings is set out below:

Position	**Name**	**Meetings Attended**	**Attendance Rate**
Independent non-executive Director	Professor SU Xijia	4/4	100%
Independent non-executive Director	Professor LIU Hongyu	4/4	100%
Non-executive Director	Mr. WANG Hongjun	3/4	75%
Independent non-executive Director	Mr. NGAI Wai Fung	4/4	100%

The Chief Financial Officer, the qualified accountant and the auditor also attended the four meetings.

Independent Board Committee

At the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Dr. GAO Shibin, Mr. NGAI Wai Fung, Professor LIU Hongyu and Professor SU Xijia. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

- to discuss whether the Company should exercise the separate options granted by Sinochem Group to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any redevelopment business in connection with the Non-Competition Undertaking or properties held by Sinochem Group, and the new business opportunities or property redevelopment opportunities of which the Company is notified by Sinochem Group in writing;

- to review, at least on a semi-annual basis, all decisions made in the relevant six-month period in relation to whether to exercise an option or pursue a new opportunity, and the compliance with and enforcement of the Non-Competition Undertaking by Sinochem Group;

- to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers in connection with the exercise of options and pursuance of new opportunities; and

- to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held two meetings and entered into one written resolution separately in 2009 to consider an outstanding independent option granted by Sinochem Group to the Company and to confirm various continuing connected transactions of the Company for 2008 and its list. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Professor SU Xijia	2/2	100%
Independent non-executive Director	Dr. GAO Shibin	2/2	100%
Independent non-executive Director	Mr. NGAI Wai Fung	2/2	100%
Independent non-executive Director	Professor LIU Hongyu	2/2	100%

Investment Committee

At the date of this report, the members of the Investment Committee of the Company are Mr. HE Cao, Mr. LUO Dongjiang, Mr. HE Binwu, Mr. JIANG Nan and Dr. GAO Shibin. The chairman of the Investment Committee is Mr. HE Cao.

The functions of the Investment Committee include:

– to formulate the long term investment plan of the Company;

– to review the material investments of the Company; and

– to review the annual investment budget submitted by the management of the Company.

The Investment Committee held five meetings and entered into a written resolution separately in 2009 to consider and pass the measurement report and auction proposal on certain projects including Beijing No.15 Guangqu Road Project. The attendance of each individual member at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Executive Director	Mr. HE Cao	5/5	100%
Non-executive Director	Mr. LUO Dongjiang*	1/1	100%
Executive Director	Mr. HE Binwu	4/5	80%
Executive Director	Mr. JIANG Nan	5/5	100%
Independent non-executive Director	Dr. GAO Shibin	5/5	100%

* Mr. LUO Dongjiang was appointed as a Director of the Company and a member of the Investment Committee on 18 September 2009 and attended all relevant meetings since then.

** Mr. PAN Zhengyi resigned as a Director and a member of the Investment Committee of the Company on 13 February 2009 and no meeting was held in the period before his resignation.

External auditors

During the Year, the remuneration paid/payable to the Company's auditors, Ernst & Young amounted to a total of HK$4,332,000, of which HK$3,500,000 was for audit service fees of the Group's financial statements, HK$800,000 was for review service fees of the Group's interim financial statements and HK$32,000 for non-audit services fees (tax compliance services fees).

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to HK$1,885,000, all of which was for audit services fees.

Internal control

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, performs regular checks on office procedures, practices and systems to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all material controls, including financial, operational and compliance controls and risk management functions of the Company.

The Directors of the Company consider that the Group's existing internal control system is effective.

Price-sensitive information

The Company has taken every precaution in handling price-sensitive information, for which the Company has formulated an effective system and measures of confidentiality. Personnel who have access to price-sensitive information must ensure that such information is kept confidential, and should not divulge such sensitive information of the Company in any manner. Consultants and intermediaries hired by the Company have entered into confidentiality agreements with the Company.

Compliance with the Model Code

The Company has adopted the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2009.

All the employees of the Group shall comply with "Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in Appendix 10 to the Listing Rules in their dealings in the Company's securities.

Rights of shareholders

Shareholders have the right to raise questions and make suggestions about the business of the Company. All shareholders shall be on an equal footing according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to be informed and participate in the material matters of the Company as prescribed by laws, administrative decrees and the Articles of Association of the Company.

General Meeting

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication means, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 18 June 2009 to consider and approve the audited financial statements, directors' report and the auditor's report for the year ended 31 December 2008; the Company held an extraordinary general meeting on 12 February 2009 to approve and ratify the framework agreements in relation to the financial services including deposit services between the Company and Sinochem Finance and consider and approve the framework agreement entered into between the Company and Sinochem Group in relation to the lease of units in Beijing Chemsunny World Trade Centre and Sinochem Tower and the annual cap amounts for the continuing connected transactions contemplated thereunder; the Company approved the relevant connected transactions in relation to the provision of guarantee to connected persons by means of shareholders' written consent on 18 August 2009.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

Principal activities

The Company is an investment holding company, and the principal activities of its subsidiaries are development of and investment in real estate projects, focusing on commercial property development, hotel operations and property leasing. Details of the subsidiaries of the Company are set out in note 20 to the financial statements.

Results and dividends

Details of the Group's results for the year ended 31 December 2009 are set out in the consolidated income statement on page 98 of this annual report.

The Board recommended the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2009. The proposed final dividend shall be subject to approval of shareholders in the forthcoming annual general meeting. No interim dividend was paid for the period ended 30 June 2009. This recommendation has been accounted for in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Share capital and share options

As at 31 December 2009, the authorised share capital of the Company was 20,000,000,000 ordinary shares and the total issued share capital was 9,161,489,489 ordinary shares.

Upon the completion of the acquisition of the entire interests in Wise Pine Limited (representing 100% interest in Jin Mao Group) and the allotment and issue of new shares as part of the consideration on 5 January 2009, the total issued share capital of the Company increased to 7,073,292,268 ordinary shares.

On 25 March 2009, a rights issue of 23 rights share for every 100 shares held by members on the register of member was made, resulting in the issue of 1,626,857,211 ordinary shares. The total issued share capital of the Company increased to 8,700,149,489 ordinary shares.

On 22 July 2009, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a substantial shareholder of the Company, placed 768,900,000 existing shares of the Company at the price of HK$2.52 per share and conditionally agreed to subscribe for 461,340,000 new shares of the Company at the placing price. Accordingly, the issued share capital of the Company increased to 9,161,489,489 ordinary shares.

Details of movement in the Company's share capital and share options during the Year are set out in notes 32 and 33 to the financial statements.

Reserves

Movements in reserves of the Company and of the Group during the Year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable reserves

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$409,609,000, of which HK$229,037,000 has been proposed as a final dividend for the Year. In addition, the Company's share premium account, in the amount of HK$6,109,789,000 may be distributed in the form of fully paid bonus shares.

Major suppliers and customers

Sales to major customers and purchases from major suppliers of the Group in the year are set out below:

	For the year ended 31 December 2009 Percentage of total turnover (%)
Five largest customers	55
The largest customer	21

	Percentage of total purchase (%)
Five largest suppliers	92
The largest supplier	81

The above five largest customers and suppliers of the Group are independent third parties. None of the Directors of the Company or any of their associates or any shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers or five largest suppliers.

Bank and other borrowings

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2009 are set out in note 29 to the financial statements.

Charitable contributions

During the year, no charitable donations were made by the Group.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 17 to the financial statements, respectively.

Financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 171 of this annual report. This summary does not form part of the audited financial statements.

Biographical details of the Directors and senior management

Biographical details of the current Directors and senior management of the Company are set out on pages 64 to 69 of this annual report.

Directors' service contracts

As at 31 December 2009, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

Directors' remuneration

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

During the year ended 31 December 2009, details of the remuneration of the Directors of the Company and five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

Directors' interests in contracts

No contract of significance to which the Company or its controlling shareholder or any of their respective subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2009 or at any time during the Year. The Company did not provide any loans to the Directors or the management personnel of the Company during the Year.

Controlling shareholders' interests in contracts

Sinochem Group is the ultimate controlling shareholder of the Company. The material contracts entered into between Sinochem Group and its subsidiaries, Sinochem Hong Kong and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group and the Company dated 26 July 2007, as detailed in section "Continuing connected transactions" and "Compliance with non-competition agreement" below.

Compliance with non-competition agreement

Sinochem Group has provided its written confirmation in respect of Sinochem Group and its subsidiaries' (other than those which form part of our Group) compliance with its obligations under the Non-competition Undertaking during 2009.

Employees and remuneration policies

For details regarding the employees and remuneration policies of the Group, please refer to the section headed "Corporate Governance Report" on page 79 and the section headed "Corporate Social Responsibility Report – Employee Development" on page 63 of this Annual Report.

Retirement scheme

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organized by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits to the employees beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme'') required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes for the year ended 31 December 2009 were HK$55,279,000.

Management contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

Share option scheme

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to increase the commitment of the participants to the Company and encourage them to fulfil the objectives of the Company.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion be entitled to grant to any participant a certain number of options at a subscription price at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of Shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10 percent of the then issued share capital of the Company. Based on the issued share capital of 9,161,489,489 Shares of the Company in issue at the date of this report, up to 916,148,949 Shares may be issued by the Company to Participants under the Scheme.

Unless the approval of Shareholders is obtained in a general meeting, if the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to a Participant in any 12-month period in aggregate exceeds 1 percent of the issued share capital of the Company, no further grant of options shall be given to such Participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the nominal value of HK$1 (to be determined on the date when the offer of the grant is accepted) to the Company as a consideration for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 33 to the financial statements.

Grant and exercise of options during the period

On 5 May 2008, 5,550,000 share options were granted to eligible participants at the exercise price of HK$3.37 for each share of the Company to be issued, being the average closing price of the shares on the Stock Exchange for the five consecutive trading days immediately preceding the grant date in respect of such options. During the Year, no share options were exercised under the Scheme. The following share options were outstanding under the Scheme during the year ended 31 December 2009:

	Number of share options									
Name or category of Participant	As at 1 January 2009	Rights issue adjustment (note 3)	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2009	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the Shares immediately preceding the grant date HK$
Directors										
Mr. PAN Zhengyi (note 1)	488,000	(549)	–	–	–	487,451	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Ms. LI Lun (note 2)	488,000	(549)	–	–	–	487,451	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Mr. WANG Hongjun	416,000	(468)	–	–	–	415,532	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Ms. LI Xuehua	488,000	(549)	–	–	–	487,451	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Mr. HE Binwu	488,000	(549)	–	–	–	487,451	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Mr. JIANG Nan	422,000	(475)	–	–	–	421,525	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
	2,790,000	(3,139)	–	–	–	2,786,861				
Employee in aggregate	2,760,000	(3,106)	–	–	(73,917)	2,682,977	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Total	5,550,000	(6,245)	–	–	(73,917)	5,469,838				

Note 1: Mr. PAN Zhengyi resigned as a non-executive Director and the chairman of the Company and members of the Remuneration and Nomination Committee and the Investment Committee of the Company on 13 February 2009. His options are still valid by the date of this annual report.

Note 2: Ms. LI Lun resigned as a Director of the Company and retired on 28 July 2009. Her options remained valid by 31 December 2009 but expired on 28 January 2010.

Note 3: The number of share options was adjusted with effect from 18 March 2009 when the Rights Issue became unconditional. Further details of the Rights Issue are set out in note 35(b) to the financial statements.

The share options will vest in three batches with 40%, 30% and 30% of them vesting at the second, third and forth anniversary of the date following the date of grant, respectively. Accordingly, grantees have to remain in service of the Group for at least a period of four years from the date of grant in order to exercise the share options granted to them in full. In addition, the share options will only be vested if the pre-set performance targets of the Group, the division of the grantee and the grantee are achieved. Otherwise, the share options shall lapse.

Directors and chief executives' interests in shares or underlying shares of the Company

Save as disclosed below, as at 31 December 2009, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register kept by the Company; 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 as set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Capacity	Number of shares held	Number of underlying shares held (Note 1)	As at 31 December 2009
PAN Zhengyi (Note 2)	Beneficial owner	356,000(L)	487,451(L)	0.0092%
LI Lun (Note 3)	Beneficial owner	–	487,451(L)	0.0056%
WANG Hongjun	Beneficial owner	–	415,532(L)	0.0048%
LI Xuehua	Beneficial owner	–	487,451(L)	0.0056%
HE Binwu	Beneficial owner	400,000(L)	487,451(L)	0.0102%
JIANG Nan	Beneficial owner	–	421,525(L)	0.0048%

(L) Denotes long positions.

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

Note 2: Mr. PAN Zhengyi resigned as a Director of the Company on 13 February 2009.

Note 3: Ms. LI Lun resigned and retired as a Director of the Company on 28 July 2009. Her options remained valid by 31 December 2009 but expired on 28 January 2010.

Substantial shareholders' interests

So far as is known to the Directors of the Company, as at 31 December 2009, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of the substantial shareholder	Long/short positions	Capacity/nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong	Long position	Beneficial owner	5,759,881,259	62.87%
Sinochem Corporation	Long position	Interest of controlled corporation	5,759,881,259	62.87%
Sinochem Group	Long position	Interest of controlled corporation	5,759,881,259	62.87%

Save as disclosed above, as at 31 December 2009, the Directors of the Company were not aware of any person (other than the Directors or chief executive of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange.

Continuing connected transactions

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions:

(1) Lease of property in Hong Kong from Sinochem Hong Kong by the Company;

(2) Provision of advisory services to Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin") by the Company.

(3) Lease of relevant units in Jin Mao Tower from the Group by six subsidiaries of Sinochem Group (transactions under items 3A to 3F below);

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

(4) Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group by Sinochem Group and its seven subsidiaries (transactions under items 4A to 4H below);

(5) Lease of relevant units in Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group (transactions under items 5A to 5K below);

(6) Provision of entrustment loan to Shanghai Port International Cruise Terminal Development Co., Ltd. ("Shanghai Terminal Co.") by the Company;

(7) Entrustment Loan Framework Agreement between the Company and the members of the Group;

(8) Financial Services Framework Agreement between the Company and Sinochem Group Finance Co., Ltd. ("Sinochem Finance").

In relation to these continuing connected transactions, the Company confirmed that it has complied with the requirements in accordance with Chapter 14A of the Listing Rules. Set out below is a summary of all these transactions:

The approved annual transaction limits and actual transacted amounts of the continuing connected transactions of the Company for the year 2009 are set out below:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

Connected Person	Nature of Transaction	Effective period	Currency	Transaction amount in 2009	Approved cap for 2009
1. Sinochem Hong Kong	Lease of property in Hong Kong to the Company	2007 to 2009	HKD	1,923,288	2,207,000
2. Shanghai Pudong Jinxin	Provision of advisory services by the Company	2007 to 2009	USD	500,000	500,000
3. Six subsidiaries of Sinochem Group	Lease of relevant units in Jin Mao Tower from the Group		RMB	Sum for items 3A-3F: 54,054,375	Aggregate annual cap for items 3A-3F: 61,800,000
3A International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2009	RMB	17,871,696	
3B Sinochem International (Holdings) Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2010	RMB	27,735,965	
3C Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2010	RMB	5,747,741	
3D Shanghai Donghong Industrial Limited	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2009	RMB	826,714	
3E Sinochem Pudong Trading Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2008 to 2009	RMB	1,556,100	
3F Shanghai Sinochem-Stolt Shipping Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2009 to 2010	RMB	316,159	

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

Connected Person	Nature of Transaction	Effective period	Currency	Transaction amount in 2009	Approved cap for 2009
4. Sinochem Group and its seven subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group		RMB	Sum for items 4A-4H & 5A-5K: 154,228,034	Aggregate annual cap for items 4A-4H & 5A -5K: 204,000,000
4A Sinochem Group	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	65,452,908	
4B Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	15,993,933	
4C Sinochem International Oil Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	14,555,769	
4D Sinochem International Industrial Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	769,491	
4E Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	14,835,620	
4F China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	8,428,235	
4G International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	905,461	
4H Sinochem Finance	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2008 to 2009	RMB	8,030,725	
5. Sinochem Group and its eleven subsidiaries	Lease of relevant properties in Sinochem Tower from the Group				
5A Sinochem International Tendering Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	8,041,483	
5B Sinochem Plastics Company	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	2,971,990	
5C China National Seed Group Corp.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	4,212,863	
5D CNSGC-DEKALB Seed Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2008 to 2009	RMB	310,860	
5E Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2006 to 2009	RMB	3,664,963	
5F Sinochem International Information Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	872,151	
5G Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2010	RMB	3,283,536	
5H Sinochem Quanzhou Petroleum Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2008 to 2010	RMB	783,780	
5I Hong Kong Rillfung Industrial Co., Ltd., Beijing Representative Office	Lease of relevant units in Sinochem Tower from the Group	2009	RMB	181,287	
5J Sinochem Guangdong Company	Lease of relevant units in Sinochem Tower from the Group	2008 to 2010	RMB	493,135	
5K Sinochem Trading (Singapore) Pte Ltd.	Lease of relevant units in Sinochem Tower from the Group	2009	RMB	439,844	
6. Shanghai Terminal Co.	Provision of entrustment loan by the Company	2007 to 2009	RMB	250,000,000	250,000,000
7. Shanghai International Shipping Service Center	Provision of entrustment loan by the Group under the entrustment loan framework agreement	2008 to 2010	RMB	774,000,000	5,000,000,000

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

1. Lease of property in Hong Kong from Sinochem Hong Kong by the Company

Sinochem Hong Kong entered into a tenancy agreement with the Company on 11 July 2007 pursuant to which Sinochem Hong Kong leased to the Company Rooms 4702-03, 47th Floor, Convention Centre, Office Tower, No. 1 Harbour Road, Wanchai, Hong Kong to be used as offices of the Company in Hong Kong. The term of the tenancy agreement is from 1 July 2007 to 31 December 2009. The Company is responsible for paying the rent, management fees, rates and air conditioning fees per month.

Sinochem Hong Kong is the immediate controlling shareholder of the Company and is therefore a connected person of the Company. Lease of property in Hong Kong from Sinochem Hong Kong by the Company constitutes continuing connected transactions of the Company.

For the year ended 31 December 2009, the annual cap (including the rent, management fees, rates and air conditioning fees) for the continuing connected transaction under the tenancy agreement between the Company and Sinochem Hong Kong is HK$2,207,000, and the actual transacted amount is HK$1,923,288.

2. Provision of advisory services to Shanghai Pudong Jinxin by the Company

The Company entered into an advisory services agreement with Shanghai Pudong Jinxin on 20 June 2007, pursuant to which the Company provided advisory services to Shanghai Pudong Jinxin in respect of the development of Shanghai Port International Cruise Terminal, including coordinating the design and construction works of the development, for an annual advisory service fee of US$500,000 (approximately HK$3,910,000). The fee is based on the estimated costs that will be incurred in relation to such coordination services, including for locating, engaging, liaising and communicating with suitable planners, designers, architects and other professional parties, considering designs and schematics and providing other coordination services between the various parties involved. The fees are payable on a semi-annual basis. The term of the agreement is from 1 January 2007 to 31 December 2009.

Shanghai Real Estate (Group) Co., Ltd. ("Shanghai Real Estate") is a substantial shareholder of the Company's non wholly-owned subsidiaries, Shanghai Pudong Jinxin and Shanghai Ke Yi Franshion Business Consultancy Company Limited ("Ke Yi Consultancy"), and Shanghai Real Estate holds more than 30% interest in Shanghai Pudong Jinxin, therefore Shanghai Pudong Jinxin is an associate of Shanghai Real Estate and a connected person of the Company. Provision of advisory services to Shanghai Pudong Jinxin by the Company constitutes continuing connected transactions of the Company.

For the year ended 31 December 2009, the annual cap for the continuing connected transactions between the Company and Shanghai Pudong Jinxin is US$500,000 and the actual transacted amount is US$500,000.

3. Lease of relevant units in Jin Mao Tower from the Group by six subsidiaries of Sinochem Group

The six subsidiaries of Sinochem Group entered into lease agreements with Jin Mao Group, a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, the six subsidiaries of Sinochem Group leased the relevant units in Jin Mao Tower (located in 88 Shiji Dadao, Shanghai) from the Jin Mao Group for office uses, and paid Jin Mao Group the monthly rental, property management fees (if any), and other sundry charges actually incurred, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

Sinochem Group is the ultimate controlling shareholder of the Company and therefore a connected person of the Company. Pursuant to the Listing Rules, the ongoing transactions between Jin Mao Group and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Jin Mao Group and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2009:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3A International Far Eastern Leasing Co., Ltd.	(1) Unit 01, 02, 04, 08, 09, 33/F, Unit 01, 02, 03, 04, 07, 08, 09, 10, 35/F, Unit 04, 05, 06, 09, 10, 36/F	Office	Monthly rental from 1 August 2009 to 30 June 2011: 1,084,375.09; monthly rental from 1 July 2011 to 31 July 2011: 156,815.05	–	Date of lease agreement: 29 November 2006; renewed on 1 August 2009	From 24 December 2006 to 31 July 2009; term renewed from 1 August 2009 to 31 July 2011
	(2) Unit 05, 33/F	Office	Monthly rental from 1 January 2010 to 30 June 2011: 52,112.50; monthly rental from 1 July 2011 to 31 July 2011: 7,058.88	–	1 January 2010	From 1 January 2010 to 31 July 2011
	(3) Unit 06, 07, 33/F	Office	Monthly rental from 1 August 2009 to 31 July 2011: 154,264.00	–	1 August 2009	From 1 August 2009 to 31 July 2011
3B Sinochem International (Holdings) Co., Ltd.	(1) Units 01-09, 18/F, Units 01-08, 19/F, Unit 09, 21/F, Unit 09, 22/F and carpark space No. 240 and 242, B3/F, Jin Mao Tower	Office	1,533,649.60	–	30 November 2007	From 1 December 2007 to 30 November 2010
	(2) Units 01, 02B, 03 and 05-10,26/F, Jin Mao Tower (Block 3)		539,642	–	30 November 2007	From 1 April 2008 to 30 November 2010
3C Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	(1) Units 01-03, 08, and 10, 21/F Jin Mao Tower (Block 3)	Office	4,110,176.60	–	30 November 2007	From 1 December 2007 to 30 November 2010
	(2) Unit 04A, 21/F, Jin Mao Tower (Block 3)		57,283.20	–	8 April 2008	From 1 May 2008 to 30 November 2010
3D Shanghai Donghong Industrial Limited	(1) Unit 07, 08, 36/F, Jin Mao Tower (Block 4)	Office	140,255.50	–	Date of lease agreement for Room 3607: 1 June 2006; date of lease agreement for Room 3608: 21 May 2007: lease agreements for both Rooms 3607 and 3608 were renewed on 31 July 2009	Term of lease agreement for Room 3607: from 2 June 2006 to 31 July 2009; term of lease agreement for Room 3608: from 1 April 2007 to 31 July 2009; renewed term of lease agreement for Rooms 3607 and 3608: from 1 August 2009 to 31 July 2011
3E Sinochem Pudong Trading Co., Ltd.	Units 06 and 10, 25/F, Jin Mao Tower (Block 3)	Office	134,397.91	–	24 October 2008	From 1 December 2008 to 30 November 2009
3F Shanghai Sinochem-Stolt Shipping Co., Ltd.	Unit 05A, 26/F, Jin Mao Tower (Block 3)	Office	38,216.20	–	30 April 2009	From 1 May 2009 to 30 November 2010

Details of the 2009 annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 84.

In order to regulate the leasehold relationship between the Company and Sinochem Group, the Company entered into the Framework Agreement for Lease of Properties (Jin Mao) with Sinochem Group in respect of the lease of relevant units in Jin Mao Tower on 31 July 2009 and such Framework Agreement was approved by the Board of the Company. The continuing transactions under such Framework Agreement and the specific lease contracts constitute continuing connected transactions of the Company. Under the Listing Rules, the entering into of such agreement and the annual transaction caps for the continuing connected transactions thereunder are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements.

Such Framework Agreement is valid for a term of 10 years from 31 July 2009. Under the Framework Agreement for Lease of Properties:

(1) All existing individual lease agreements that have been entered into between the Company and/or its subsidiaries and Sinochem Group and/or its relevant associates in respect of the relevant units of the Jin Mao Tower in Shanghai, the PRC shall be included in and regulated by the Framework Agreement;

(2) Based on its demand for office premises, Sinochem Group and/or its associates may at their own option increase the lease area in existing units or increase the number of units leased by not more than 10% (if available) of the total gross floor area currently being leased under the Framework Agreement in each of the two years from 2010 to 2011, and any such future individual lease agreement to be entered into after the signing of the Framework Agreement shall also be included in and regulated by the Framework Agreement;

(3) All continuing connected transactions under the individual lease agreements will be aggregated and subject to the aggregate annual caps for the three years ending 31 December 2011 of RMB61,800,000, RMB71,500,000 and RMB82,600,000, respectively. The original aggregate annual caps for the existing individual lease agreements will no longer apply upon the entering into of the Framework Agreement.

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

4. Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group by Sinochem Group and its seven subsidiaries

Sinochem Group and its seven subsidiaries entered into lease agreements with Beijing Chemsunny Property Company Ltd. ("Chemsunny Property"), a wholly-owned subsidiary of the Company, respectively. Pursuant to the said lease agreements, Sinochem Group and its seven subsidiaries leased the relevant units in Beijing Chemsunny World Trade Centre (located in No. 28, Fuxingmen Nei Street, Beijing) for office uses, and paid Chemsunny Property and Beijing Century Chemsunny Property Management Co., Ltd. ("Chemsunny Property Management "), the designated property management company, the monthly rentals, property management fees and other sundry charges, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

Pursuant to the Listing Rules, the ongoing transactions between Chemsunny Property and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Chemsunny Property and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2009:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
4A Sinochem Group (renewal lessee: Sinochem Corporation)	F7 Level, F11 Level, F12 Level, Room C607, F6 Level and Room 101, Basement 1, Beijing Chemsunny World Trade Centre	Office	4,417,901 under original lease agreement; 4,680,998 after renewal	446,310 under original lease agreement; 494,358 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4B Sinochem Fertilizer Company Limited	F10 Level, Beijing Chemsunny World Trade Centre	Office	1,297,296 under original lease agreement; 1,270,720 after renewal	144,144 under original lease agreement; 141,191 after renewal	8 June 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4C Sinochem International Oil Company	F9 Level, Beijing Chemsunny World Trade Centre	Office	1,184,885 under original lease agreement; 1,173,705 after renewal	136,717 under original lease agreement; 135,428 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4D Sinochem International Industrial Company	F9 Level, Beijing Chemsunny World Trade Centre	Office	62,363	7,195	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4E Sinochem Petroleum Exploration and Production Co., Ltd.	F8 Level, Beijing Chemsunny World Trade Centre	Office	1,207,585 under original lease agreement; 1,087,048 after renewal	144,910 under original lease agreement; 130,446 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4F China Foreign Economy and Trade & Investment Co., Ltd.	Rooms C601-606, F6 Level, Beijing Chemsunny World Trade Centre	Office	653,600	85,252	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4G International Far Eastern Leasing Co., Ltd.	Rooms C608, F6 Level, Beijing Chemsunny World Trade Centre	Office	68,452	8,928	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed from 1 January 2010 to 31 December 2011
4H Sinochem Finance	Rooms C306-308, F3 Level, Beijing Chemsunny World Trade Centre	Office	597,225.60	55,989.90	16 May 2008; renewed upon expiry	From 1 June 2008 to 31 May 2011

Details of the 2009 annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 85.

To regulate the leasing relationship between the Company and the Sinochem Group, the Company and Sinochem Group entered into the Framework Agreement for Lease of Properties on 31 December 2008. In particular, the lease agreements of Sinochem Group and its seventeen subsidiaries for the lease of Beijing Chemsunny World Trade Centre of the Company were included into and regulated by this Framework Agreement. For details of this Framework Agreement, please refer to the disclosure in "5. Lease of relevant units in Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group" below.

5. Lease of relevant units in Beijing Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group

The eleven subsidiaries of Sinochem Group entered into lease agreements with Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management"), a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, eleven subsidiaries of Sinochem Group leased the relevant units in Sinochem Tower (located in No. A2 Fuxingmen Wai Street, Beijing) for office uses, and paid Sinochem Property Management and Chemsunny Property Management, the designated property management company, the relevant monthly rentals, property management fees and other sundry charges, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

Pursuant to the Listing Rules, the ongoing transactions between Sinochem Property Management and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules since they have all been entered into by Sinochem Property Management and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2009:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
5A Sinochem International Tendering Co., Ltd	19/F, 20/F & 21/F, Sinochem Tower	Office	512,613.91	100,671.35	8 November 2007	From 1 November 2007 to 31 October 2010
5B Sinochem Plastics Company	7/F & Room 326 of 3/F, Sinochem Tower	Office	7/F: 147,728.08; Room 326 of 3/F: 4,977.82	7/F: 33,557.03; Room 326 of 3/F: 1,193.03	22 October 2007	7/F: from 1 October 2007 to 30 September 2010; Room 326 of 3/F: from 1 December 2007 to 30 September 2010
5C China National Seed Group Corp.	Room 1400, 14/F & Room 1501 of 15/F, Sinochem Tower	Office	232,335.24	46,681.68	6 November 2007	From 16 October 2007 to 15 October 2010
5D CNSGC-DEKALB Seed Co., Ltd.	Room 611 of 6/F, Sinochem Tower	Office	17,861.34 under original lease agreement: 19,438.5 after renewal	3,430.32 under original lease agreement; 3,430.32 after renewal	29 October 2007; renewed upon expiry	From 16 December 2007 to 15 December 2008; renewed from 15 December 2008 to 15 March 2010
5E Manulife-Sinochem Life Insurance Co., Ltd., Beijing Branch	4/F, Sinochem Tower	Office	176,196.60; 244,473.83 after renewal	44,863.20; 44,966.65 after renewal	16 February 2006; renewed upon expiry	From 20 February 2006 to 19 February 2009; renewed from 20 February 2009 to 19 February 2011
5F Sinochem International Information Corporation	West Wing, 14/F, Sinochem Tower	Office	47,321.27	9,507.97	14 November 2007	From 16 October 2007 to 15 October 2010
5G Sinochem International (Holdings) Co., Ltd., Beijing Branch	18/F Sinochem Tower	Office	167,013.73	33,557.03	29 November 2007	From 1 October 2007 to 30 September 2010
5H Sinochem Quanzhou Petroleum Co., Ltd.	Southeast of South Wing, 17/F, Sinochem Tower	Office	49,468.08	8,389.32	31 December 2008	From 1 January 2009 to 31 December 2010
5I Hong Kong Rillfung Industrial Co., Ltd., Beijing Representative Office	Room 615 of 6/F, Sinochem Tower	Office	20,042.27	4,026.97	29 November 2007; renewed upon expiry	From 1 January 2008 to 31 December 2008; renewed from 1 January 2009 to 31 December 2009
5J Sinochem Guangdong Company	Room 902 of 9/F, Sinochem Tower	Office	28,497.34	6,152.03	29 November 2007	From 1 January 2008 to 31 December 2010
5K Sinochem Trading (Singapore) Pte Ltd.	Rooms 620-621 of 6/F, Sinochem Tower	Office	24,081.08	4,249.60	20 February 2009	From 11 March 2009 to 31 December 2009

Details of the 2009 annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 85.

To regulate the leasing relationship between the Company and Sinochem Group, the Framework Agreement for Lease of Properties was entered into by the Company and Sinochem Group on 31 December 2008 and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 12 February 2009. The Framework Agreement is valid for 10 years from 1 January 2009. Pursuant to this Framework Agreement:

(1) The individual lease agreements that have been entered into by the Company and/or its subsidiaries and Sinochem Group and/or its relevant associates in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China (i.e., all lease agreements mentioned in no. 5 and 6) shall be included into and regulated by the Framework Agreement;

(2) Based on its demand for office premises, Sinochem Group and/or its associates may at their own option increase the lease area in existing units or increase the number of units leased by no more than 5% (if available) of the total gross floor area currently being leased under the Framework Agreement in each of the two years from 2010 to 2011, and any such future individual lease agreement to be entered into after signing of the Framework Agreement shall also be included in and regulated by the Framework Agreement; and

(3) All continuing connected transactions under the individual lease agreements will be aggregated and subject to the aggregate annual caps. The proposed aggregate annual caps for the three years ending 31 December 2011 are RMB204 million, RMB246 million and RMB275 million respectively. The original aggregate annual caps for the existing individual lease agreements will no longer apply upon the entering into of the Framework Agreement..

6. Provision of entrustment loan to Shanghai Terminal Co. by the Company

The Company, Shanghai Terminal Co. and Shanghai Real Estate entered into a master entrustment loan agreement ("Master Agreement") on 12 July 2007 pursuant to which the Company and Shanghai Real Estate (or their respective nominees) may appoint China Merchants Bank, Shanghai Jinjiao branch (or any other financial institutions licensed to provide entrustment loans) to provide an entrustment loan of RMB500 million in favour of Shanghai Terminal Co. for the development of Site B of the Shanghai Port International Cruise Terminal. As each of the Company and Shanghai Real Estate has a 50% interest in Site B of the Shanghai Port International Cruise Terminal held by Shanghai Terminal Co., each of them will provide RMB250 million out of the total loan of RMB500 million.

Shanghai Pudong Jinxin is a connected person of the Company. Shanghai Terminal Co. is a subsidiary of Shanghai Pudong Jinxin and consequently a connected person of the Company. The provision of entrustment loan to Shanghai Terminal Co. by the Company constitutes a continuing connected transaction of the Company.

Pursuant to the Master Agreement, the Company and Shanghai Real Estate shall each enter into a separate loan agreement with Shanghai Terminal Co. and the relevant bank when the loan is provided. The loan will bear interest at 30% above the base lending rate per annum published by the People's Bank of China which will be payable annually. The Company and Shanghai Real Estate will pay the relevant bank an administration fee of 0.022% of the loan amount.

The cap amount for the entrustment loan provided to Shanghai Terminal Co. by the Company for the year ended 31 December 2009 was RMB250 million, and the actual transaction amount incurred was RMB250 million.

7. Entrustment loan framework agreement

In order to maximise the utilisation of the Group's working capital and to promote efficient allocation of resources between members of the Group, the Company and other members of the Group entered into the Framework Agreement on normal commercial terms which are fair and reasonable on 31 December 2007, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the Framework Agreement. The Framework Agreement shall be valid for 3 years, effective from 1 January 2008.

Shanghai Terminal Co., Shanghai International Shipping Service Center, Ke Yi Consultancy and Shanghai Pudong Jinxin are connected persons of the Company. Thus, the provision of an entrustment loan by any member of the Group to Shanghai Terminal Co., Shanghai International Shipping Service Center, Ke Yi Consultancy or Shanghai Pudong Jinxin (including the provision of entrustment loan amongst the four connected persons themselves) would constitute financial assistance and continuing connected transaction. However, the provision of an entrustment loan by the above-mentioned four connected persons to the Company, Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai"), Chemsunny Property, Sinochem Property Management and/or Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management") is exempt from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as no security over the assets of the Company, Franshion Zhuhai, Chemsunny Property, Sinochem Property Management and/or Wangfujing Hotel Management is granted in respect of the financial assistance and the separate entrustment loan agreements are entered into for the benefit of the Group on normal commercial terms.

The annual cap for the continuing connected transactions for the year ended 31 December 2009 was RMB5.0 billion, and the actual transaction amount incurred was RMB0.774 billion.

8. Financial services framework agreement between the Company and Sinochem Finance

The Company and Sinochem Finance entered into a financial services framework agreement on 4 December 2008 in relation to the provision of other non-mandatory financial services such as deposit services by Sinochem Finance to the Group. The agreement shall be effective for three years from the date of its signing. Pursuant to such agreement, the Company may, based on its actual needs and willingness, use such financial services as deposits, loan services, entrustment loans, settlement services, guarantee services and internet banking to be provided by Sinochem Finance, and, under the financial services framework agreement, pay the relevant interest and service fees to or receive deposit interests from Sinochem Finance. The relevant fees and interests shall be determined pursuant to the standard as set by the People's Bank of China from time to time or market price.

Sinochem Finance is a wholly owned subsidiary of Sinochem Group, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, the provision of deposit services to the Company by Sinochem Finance as contemplated under the financial services framework agreement constitutes a continuing connected transaction on the part of the Company.

It is expected that during the term of the financial services framework agreement, the maximum daily balance the Company deposits with Sinochem Finance (including interest accrued thereon, but excluding the additional amount of deposit generated as a result of the entrustment loan) shall be RMB1.13 billion, and the continuing connected transaction has not exceeded the annual cap for the year ended 31 December 2009.

Connected transactions

During the Period under Review, the one-off non-exempt connected transactions conducted by the Company include:

1. Provision of guarantee to Shanghai Terminal Co.

On 18 August 2009, Shanghai Terminal Co. and Guotou Yahua (Shanghai) Co., Ltd. ("Guotou Yahua") entered into the pre-sales contracts in relation to the No.638 Building and certain parking spaces of the commercial ancillary project of Shanghai Port International Cruise Terminal (hereinafter as the "Master Contract") at a contract price of RMB1,049,401,105.

On 18 August 2009, in light of the above transactions contemplated under the Master Contract, the Company (1) irrevocably provided a performance guarantee to Guotou Yahua up to RMB1,049,401,105 in respect of all the current and future rights of a creditor under the Master Contract against the vendor enjoyed by Guotou Yahua and any third party who inherits the corporate interest of Guotou Yahua; and (2) unconditionally undertook the related obligations or responsibilities in the event that Shanghai Terminal Co. is dissolved or bankrupted for any reason and that its obligations or responsibilities under the Master Contract has not been fully performed, and the undertakings will take effect automatically upon the loss of legal person status of Shanghai Terminal Co..

Shanghai Pudong Jinxin, as an associate of Shanghai Real Estate, is also a connected person of the Company. Accordingly, Shanghai Terminal Co., a subsidiary of Shanghai Pudong Jinxin, is also a connected person of the Company. The provision of the above guarantee by the Company to Shanghai Terminal Co. constitutes the provision of financial assistance to connected persons and therefore constitutes a connected transaction of the Company. As such, such guarantee is subject to the independent shareholders' approval requirements in addition to the reporting and announcements requirements under Chapter 14A of the Listing Rules. The Company obtained a written approval from Sinochem Hong Kong (immediate controlling shareholder of the Company) in respect of the guarantee in 2009. In view of this, the Company has applied to the Stock Exchange for the approval of the above guarantee with the written consent from Sinochem Hong Kong in lieu of convening a physical general meeting.

Confirmation of independent non-executive directors

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2009 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, expressing that these connected transactions:

- have received the approval of the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions;
- have been entered into in accordance with the pricing policies of the Company; and
- have not exceeded the relevant caps for the financial year ended 31 December 2009.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

Purchase, sale or redemption of securities of the Company

During the Period under Review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review by Audit Committee

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for the Year.

Material acquisitions and disposals

The Company did not engage in any material acquisitions or disposals during the Period under Review.

Material litigation

For the year ended 31 December 2009, the Company was not subject to any material litigation that could have an adverse impact on the Company.

Events after Reporting Period

Details of significant events of the Group after the reporting period are set out in note 41 to the financial statements.

Auditors

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the firm as the auditors of the Company.

On Behalf of the Board
LUO Dongjiang
Chairman

INDEPENDENT AUDITORS' REPORT

To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Franshion Properties (China) Limited set out on pages 98 to 170, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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 Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

25 March 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**6,320,902**	3,913,468
Cost of sales		**(3,021,689)**	(1,715,516)
Gross profit		**3,299,213**	2,197,952
Other income and gains	5	**485,560**	381,250
Selling and marketing expenses		**(254,734)**	(168,912)
Administrative expenses		**(552,500)**	(494,582)
Other expenses		**(3,068)**	(2,923)
Finance costs	7	**(499,963)**	(405,641)
Share of profits and losses of jointly-controlled entities	21	**(927)**	(6,208)
PROFIT BEFORE TAX	6	**2,473,581**	1,500,936
Income tax expense	10	**(742,484)**	(401,788)
PROFIT FOR THE YEAR		**1,731,097**	1,099,148
Attributable to:			
Owners of the parent		**1,174,408**	900,934
Minority interests		**556,689**	198,214
		1,731,097	1,099,148
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**HK cents**	HK cents
Basic		**13.71**	14.69
Diluted		**N/A**	N/A

Details of the dividend proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
PROFIT FOR THE YEAR	**1,731,097**	1,099,148
OTHER COMPREHENSIVE (LOSS)/INCOME		
Exchange (loss)/gain on translation of foreign operations	**(5,891)**	806,126
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(5,891)**	806,126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,725,206**	1,905,274
Attributable to:		
Owners of the parent	**1,175,304**	1,487,363
Minority interests	**549,902**	417,911
	1,725,206	1,905,274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,683,415**	7,391,062
Properties under development	15	**8,700,008**	3,223,302
Investment properties	17	**11,539,660**	11,359,374
Prepaid land lease payments	18	**1,624,887**	1,471,901
Intangible assets	19	**27,928**	10,092
Interests in jointly-controlled entities	21	**118,944**	123,231
Deferred tax assets	31	**80,983**	98,431
Pledged deposits	26	**249,876**	283,950
Total non-current assets		**29,025,701**	23,961,343
CURRENT ASSETS			
Properties under development	15	**2,601,271**	3,513,153
Properties held for sale	16	**470,451**	616,064
Inventories	22	**35,352**	36,570
Trade receivables	23	**227,413**	126,186
Prepayments, deposits and other receivables	24	**178,252**	171,927
Due from related parties	25	**4,252**	10,689
Tax recoverable		**47,242**	33,895
Restricted bank balances	26	**2,892**	17,169
Pledged deposits	26	**4,026,411**	1,013,133
Cash and cash equivalents	26	**3,523,274**	5,046,807
Total current assets		**11,116,810**	10,585,593
CURRENT LIABILITIES			
Trade and bills payables	27	**719,348**	900,878
Other payables and accruals	28	**2,546,325**	4,172,655
Interest-bearing bank and other borrowings	29	**10,642,243**	6,539,727
Due to related parties	25	**71,024**	2,776,225
Tax payable		**102,297**	62,629
Provision for land appreciation tax	30	**571,175**	418,390
Total current liabilities		**14,652,412**	14,870,504
NET CURRENT LIABILITIES		**(3,535,602)**	(4,284,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,490,099**	19,676,432
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**5,869,814**	4,088,880
Deferred tax liabilities	31	**1,673,419**	1,663,410
Total non-current liabilities		**7,543,233**	5,752,290
Net assets		**17,946,866**	13,924,142

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**9,161,489**	6,493,627
Reserves	34(a)	**7,029,119**	4,372,415
Proposed final dividend	12	**229,037**	174,003
		16,419,645	11,040,045
Minority interests		**1,527,221**	2,884,097
Total equity		**17,946,866**	13,924,142

He Cao
Director

Jiang Nan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	PRC statutory surplus reserve HK$'000	Merger reserve HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008		6,103,226	3,270,193	(944,711)	147,852	(1,111,723)	696,576	–	3,775,428	98,305	12,035,146	3,345,383	15,380,529
Total comprehensive income for the year		–	–	–	–	–	586,429	–	900,934	–	1,487,363	417,911	1,905,274
Final 2007 dividend declared		–	–	–	–	–	–	–	–	(98,305)	(98,305)	–	(98,305)
Transfer to reserve		–	–	–	61,158	–	–	–	(61,158)	–	–	–	–
Equity-settled share option arrangements		–	–	–	–	–	–	1,014	–	–	1,014	–	1,014
Acquisition of minority interests		390,401	409,922	(469,023)	–	–	–	–	–	–	331,300	(1,267,979)	(936,679)
Capital contribution by a minority shareholder		–	–	–	–	–	–	–	–	–	–	389,409	389,409
Deemed distribution to equity owners		–	–	–	–	1,111,723	–	–	(3,828,196)	–	(2,716,473)	–	(2,716,473)
Proposed final 2008 dividend	12	–	–	–	–	–	–	–	(174,003)	174,003	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(627)	(627)
At 31 December 2008 and 1 January 2009		**6,493,627**	**3,680,115***	**(1,413,734)***	**209,010***	**–***	**1,283,005***	**1,014***	**613,005***	**174,003**	**11,040,045**	**2,884,097**	**13,924,142**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**896**	**–**	**1,174,408**	**–**	**1,175,304**	**549,902**	**1,725,206**
Final 2008 dividend declared		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(174,003)**	**(174,003)**	**–**	**(174,003)**
Acquisition of minority interests	1	**579,665**	**660,818**	**(722,222)**	**–**	**–**	**–**	**–**	**–**	**–**	**518,261**	**(1,849,637)**	**(1,331,376)**
Rights issue	32	**1,626,857**	**1,089,994**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,716,851**	**–**	**2,716,851**
Issue of new shares	32	**461,340**	**701,237**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,162,577**	**–**	**1,162,577**
Share issue expenses	32	**–**	**(22,375)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,375)**	**–**	**(22,375)**
Transfer to reserve		**–**	**–**	**–**	**57,559**	**–**	**–**	**–**	**(57,559)**	**–**	**–**	**–**	**–**
Equity-settled share option arrangements	33	**–**	**–**	**–**	**–**	**–**	**–**	**1,484**	**–**	**–**	**1,484**	**–**	**1,484**
Forfeiture of dividends by a minority shareholder		**–**	**–**	**1,501**	**–**	**–**	**–**	**–**	**–**	**–**	**1,501**	**–**	**1,501**
Capital contribution by a minority shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**138,470**	**138,470**
Proposed final 2009 dividend	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(229,037)**	**229,037**	**–**	**–**	**–**
Dividends paid to minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(195,611)**	**(195,611)**
At 31 December 2009		**9,161,489**	**6,109,789***	**(2,134,455)***	**266,569***	**–***	**1,283,901***	**2,498***	**1,500,817***	**229,037**	**16,419,645**	**1,527,221**	**17,946,866**

* These reserve accounts comprise the consolidated reserves of HK$7,029,119,000 (2008: HK$4,372,415,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,473,581**	1,500,936
Adjustments for:			
Finance costs	7	**499,963**	405,641
Share of profits and losses of jointly-controlled entities and an associate	21	**927**	6,208
Interest income	5	**(174,784)**	(197,849)
Gain on disposal of equity investments at fair value through profit or loss	5	**–**	(35,797)
Exemption of tax	5	**(109,405)**	–
Loss on disposal of items of property, plant and equipment	6	**286**	569
Fair value gains on investment properties	5	**(169,151)**	(99,414)
Depreciation	6	**217,253**	163,303
Recognition of prepaid land lease payments	6,18	**47,154**	19,978
Amortisation of intangible assets	6,19	**4,704**	1,997
Equity-settled share option expense	33	**1,484**	1,014
		2,792,012	1,766,586
Increase in properties under development		**(5,947,870)**	(2,638,946)
Decrease in properties held for sale		**1,948,723**	480,510
Decrease/(increase) in inventories		**1,218**	(11,716)
(Increase)/decrease in trade receivables		**(101,227)**	119,540
Decrease in prepayments, deposits and other receivables		**17,204**	29,255
Decrease in amounts due from related parties		**6,437**	311,756
Decrease in trade and bills payables		**(181,530)**	(294,401)
(Decrease)/increase in other payables and accruals		**(1,514,593)**	963,506
Increase/(decrease) in amounts due to related parties		**11,934**	(219,228)
Cash (used in)/generated from operations		**(2,967,692)**	506,862
Interest received		**174,784**	197,849
Interest paid		**(500,626)**	(588,170)
PRC corporate income tax paid		**(507,251)**	(298,181)
Land appreciation tax paid		**(28,844)**	(31,297)
Net cash flows used in operating activities		**(3,829,629)**	(212,937)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash flows used in operating activities		**(3,829,629)**	(212,937)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(178,477)**	(2,008,884)
Additions to investment properties	17	**(3,775)**	–
Additions to prepaid land lease payments	18	**(613)**	–
Additions to intangible assets	19	**(1,478)**	(304)
Acquisition of minority interests		**(1,331,376)**	(936,679)
Proceeds from disposal of items of property, plant and equipment		**315**	2,094
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	82,899
Purchase of equity investments at fair value through profit or loss		**–**	(47,102)
Increase in pledged deposits		**(2,979,204)**	(105,371)
Decrease/(increase) in restricted bank deposits		**14,277**	(1,172)
Purchase of share holding in jointly-controlled entities		**–**	(78,391)
Repayment of amounts due from jointly-controlled entities		**3,360**	850
Advance of amounts due to jointly-controlled entities		**–**	(3,915)
Net cash flows used in investing activities		**(4,476,971)**	(3,095,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	32	**1,162,577**	–
Proceeds from rights issue	35(b)	**80,908**	–
Share issue expenses	32	**(22,375)**	–
Proceeds from capital contributions by minority shareholders		**138,470**	389,409
New bank and other borrowings		**22,262,853**	17,609,379
Repayment of amount due to the immediate holding company	35(b)	**(80,529)**	–
Repayment of bank and other borrowings		**(16,384,767)**	(17,478,819)
Dividends paid		**(174,003)**	(98,305)
Dividends paid to minority shareholders		**(195,611)**	(627)
Net cash flows from financing activities		**6,787,523**	421,037
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,519,077)**	(2,887,875)
Cash and cash equivalents at beginning of year		**5,046,807**	7,625,833
Effect of foreign exchange rate changes, net		**(4,456)**	308,849
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,523,274**	5,046,807
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**2,374,324**	4,985,362
Non-pledged time deposits with original maturity of less than three months when acquired		**1,148,950**	61,445
Cash and cash equivalents as stated in the statement of financial position	26	**3,523,274**	5,046,807

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,654**	2,188
Interests in subsidiaries	20	**14,464,644**	11,932,081
Total non-current assets		**14,466,298**	11,934,269
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**6,929**	7,970
Due from related parties	25	**1,824**	–
Cash and cash equivalents	26	**1,222,661**	1,447,760
Total current assets		**1,231,414**	1,455,730
CURRENT LIABILITIES			
Other payables and accruals	28	**14,327**	20,986
Due to related parties	25	**–**	2,717,135
Total current liabilities		**14,327**	2,738,121
NET CURRENT ASSETS/(LIABILITIES)		**1,217,087**	(1,282,391)
Net assets		**15,683,385**	10,651,878
EQUITY			
Issued capital	32	**9,161,489**	6,493,627
Reserves	34(b)	**6,292,859**	3,984,248
Proposed final dividend	12	**229,037**	174,003
Total equity		**15,683,385**	10,651,878

He Cao
Director

Jiang Nan
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the following principal activities:

- hotel operations
- property development
- property leasing
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the Company's ultimate holding company is Sinochem Group, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

As part of its internal restructuring, Sinochem Group established Sinochem Corporation in June 2009. Immediately after the establishment of Sinochem Corporation, Sinochem Group transferred its entire shareholding in Sinochem Hong Kong, the immediate holding company of the Company, to Sinochem Corporation. As a result of the transfer, Sinochem Corporation became an intermediate holding company of the Company. However, the ultimate holding company of the Company remains unchanged.

Pursuant to the group reorganisation (the "Reorganisation") in June 2008, the Company entered into an acquisition agreement (the "Sinochem Acquisition Agreement") with Sinochem Hong Kong, to acquire Sinochem Hong Kong's entire equity interest in Wise Pine Limited ("Wise Pine"), which represents a 54.87% equity interest in China Jin Mao (Group) Company Limited and its subsidiaries (collectively referred to as the "Jin Mao Group") for an initial total consideration of RMB6,035,799,000 (approximately HK$6,791,182,000). The final consideration for the acquisition will be satisfied by the Company, partly in cash of RMB2,414,320,000 (approximately HK$2,716,473,000) and partly by the Company issuing and allotting 1,187,962,000 of the Company's new ordinary shares at the market price on the date of completion of acquisition.

Further on the same day, the Company entered into seven separate acquisition agreements ("Other Shareholder Acquisition Agreement") with other independent parties ("Other Shareholders"), to acquire their entire equity interest in Wise Pine, which represents a 45.13% equity interest in the Jin Mao Group for an initial total consideration of RMB4,964,201,000 (approximately HK$5,585,473,000). The final consideration for the acquisition will be satisfied by the Company, partly in cash of RMB2,006,972,000 (approximately HK$2,258,146,000) and partly by the Company issuing and allotting 970,066,000 of the Company's new ordinary shares at the market price on the date of completion of acquisition. Each Other Shareholder Acquisition Agreement and the Sinochem Acquisition Agreement contain similar terms in general, save for terms relating to the amounts of the consideration.

Sinochem Acquisition Agreement was completed on 29 December 2008. Pursuant to the agreement, the Company settled the share payment by issuing and allotting 1,187,962,000 ordinary shares of HK$1 each at HK$2.05 per share to Sinochem Hong Kong. In connection to the cash payment of HK$2,716,473,0000, the Company and Sinochem Hong Kong entered into a deferred payment arrangement. According to this deferred payment arrangement, the cash payment is repayable by no later than 30 June 2009, or a later date as the Company and Sinochem Hong Kong may agree in writing. The total final consideration for the acquisition was HK$5,151,795,000, in which the cash payment of HK$2,716,473,000 to Sinochem Hong Kong was settled during the year by the proceeds from the rights issue (note 35(b)).

1. CORPORATE INFORMATION AND GROUP REORGANISATION (Continued)

Other Shareholder Acquisition Agreement was partly completed on 29 December 2008, in which a 18.36% equity interest in Wise Pine was acquired from certain Other Shareholders. The total final consideration for the acquisition was HK$1,732,969,000, which consisted of a cash payment of HK$932,647,000 and 390,401,000 Company's new ordinary shares of HK$1 each at HK$2.05 per share, the market price on the date of completion of the acquisition.

The remaining 26.77% equity interest in Wise Pine was subsequently acquired on 5 January 2009. The total final consideration of HK$2,565,982,000 was satisfied by a cash payment of HK$1,325,499,000 and a new issue of 579,665,000 ordinary shares of HK$1 each of the Company at HK$2.14 per share, the market price on the date of completion of acquisition. Upon completion of the above acquisitions, Jin Mao Group became a wholly-owned subsidiary of the Company (note 35(a)).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2009, the current liabilities of the Group exceeded its current assets by approximately HK$3,535,602,000 (2008: HK$4,284,911,000). Nevertheless, the financial statements have been prepared on a going concern basis as the directors believe the Group will have adequate funds to meet its liabilities as and when they fall due after taking into account the expected cash flows from its operations and unutilised banking facilities approximated to over HK$6,421,930,000. Subsequent to the year end, the Group repaid HK$1,007,455,000 and successfully arranged HK$1,624,319,000 of loans to be rolled over for a further period.

Basis of consolidation

Pursuant to the Reorganisation, the Company became the holding company of the Jin Mao Group. Since the Company and the Jin Mao Group were ultimately controlled by Sinochem Corporation both before and after the completion of the Reorganisation, the reorganisation is considered as a business combination under common control and has been accounted for using the principles of merger accounting. Except for acquisitions of interests from unrelated parties, which have been accounted for using the purchase method of accounting, all of the Group's acquisitions of other subsidiaries have been accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, whichever is shorter period, regardless of the date of the common control combination.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. As the Group has no financial instruments measured at fair value, the amendments will not give rise to additional disclosures for the Group in respect of financial instruments.

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of recognised income and expense together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and *HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and *HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The Group determined that the adoption of this new interpretation has had not have any material impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: Removes the reference to “total interest income” as a component of finance costs.

- HKAS 1 *Presentation of Financial Statements*: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment*: Replaces the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- HKAS 27 *Consolidated and Separate Financial Statements*: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- HKAS 28 *Investments in Associates*: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(n) (Continued)

- HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

- HKAS 39 *Financial Instruments*: Recognition and Measurement: (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the remeasurement of the hedged item when paragraph AG8 of HKAS 39 is applicable.

- HKAS 40 *Investment Property*: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed. Upon the adoption of this amendment, the Group reclassified construction in progress included in property, plant and equipment of HK$7,192,000 into investment properties (notes 14 and 17).

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised), HKFRS 9, HKAS 24 (Revised) and HKAS 27 (Revised) as further explained below, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 2.25%
Leasehold improvements	18%
Buildings	2% – 5%
Furniture, fixtures and office equipment	4.5% – 33⅓%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing leasehold improvements and furniture and fixtures is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software
Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

Club membership
Purchased club membership is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-for-maturity investments and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or
- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, financial guarantee contracts and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

The Group provides financial guarantees in respect of mortgage facilities for certain property purchasers. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) sale of completed properties: when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied;

(b) hotel and other service income: in the period in which such services are rendered;

(c) rental income: on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option. Premiums received to terminate leases are recognised in the income statement when they arise;

(d) from the rendering of property management services: when the services are rendered;

(e) from observation deck operation: when admission tickets are sold;

(f) from the sale of goods: when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(g) interest income: on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(h) dividend income: when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 33 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of all subsidiaries and jointly-controlled entities in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

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, are discussed below.

Allowance for trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, and aging analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group deteriorated resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of non-financial assets

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the income statements upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters are different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2009 was approximately HK$9,420,000 (2008: HK$37,436,000) (note 31).

Fair value of investment properties

Investment properties are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

The carrying amount of investment properties at 31 December 2009 was HK$11,539,660,000 (2008: HK$11,359,374,000) (note 17).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

Going concern

As at end of the reporting period, the Group had net current liabilities of approximately HK$3,535,602,000 (2008: HK$4,284,911,000). The Group is expected to have sufficient cash to meet its funding requirement for operation, as the management considered (i) the revenue from selling properties in 2010 are expected to be derived from property projects over two cities within the PRC, which the selling price is not expected to fluctuate significantly from that of 2009; (ii) income from property leasing and hotel operations are not expected to fluctuate significantly from that of 2009; and (iii) all bank borrowings due for repayment in 2010 are expected to be repaid or renewed successfully.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operation, the economic characteristics, and the products and services they provide. Summary details of the reportable operating segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property leasing segment comprises the leasing of office and commercial premises;

(c) the hotel operations segment engages in the provision of hotel accommodation services; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, the operation of an observation deck, the trading of goods, and the provision of export agency services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest revenue) and income tax expense are managed on a group basis and are not allocated to operating segments.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, restricted bank balances and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, provision for land appreciation tax and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's operations are mainly conducted in the PRC. The management considered one reportable geographic segment as all revenues from external customers are generated in the PRC and the Group's significant assets are located in the PRC. Thus, the revenues from external customers and non-current assets based on their locations are not disclosed.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2009	Property development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	3,535,311	868,898	1,576,743	339,950	6,320,902
Intersegment sales	–	2,583	–	132,678	135,261
	3,535,311	871,481	1,576,743	472,628	6,456,163
Reconciliation:					
Elimination of intersegment sales					(135,261)
Total Group's revenue					6,320,902
Segment results	1,597,511	956,157	241,749	33,937	2,829,354
Reconciliation:					
Elimination of intersegment results					(30,246)
Interest and dividend income and unallocated gains					175,363
Share of profits and losses of jointly-controlled entities	–	–	–	(927)	(927)
Finance costs					(499,963)
Profit before tax					2,473,581
31 December 2009					
Segment assets	15,677,851	14,222,355	8,587,923	2,753,687	41,241,816
Reconciliation:					
Elimination of intersegment assets					(9,148,927)
Interests in jointly-controlled entities	–	–	–	118,944	118,944
Corporate and unallocated assets					7,930,678
Total assets					40,142,511
Segment liabilities	7,488,841	1,653,489	2,435,696	866,738	12,444,764
Reconciliation:					
Elimination of intersegment liabilities					(9,108,067)
Corporate and unallocated liabilities					18,858,948
Total liabilities					22,195,645
Other segment information:					
Recognition of prepaid land lease payments	–	–	47,154	–	47,154
Loss on disposal of items of property, plant and equipment	10	87	–	189	286
Depreciation and amortisation	1,359	5,491	191,587	23,570	222,007
Capital expenditure*	1,550	5,069	175,246	1,697	183,562
Fair value gains on investment properties, net	–	169,151	–	–	169,151

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2008	Property development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	1,399,575	786,092	1,393,861	333,940	3,913,468
Intersegment sales	–	5,656	519	202,380	208,555
	1,399,575	791,748	1,394,380	536,320	4,122,023
Reconciliation:					
Elimination of intersegment sales					(208,555)
Total Group's revenue					3,913,468
Segment results	633,376	677,375	330,618	13,259	1,654,628
Reconciliation:					
Elimination of intersegment results					(8,211)
Interest and dividend income and unallocated gains					266,368
Share of profits and loss of jointly-controlled entities	–	–	–	(6,208)	(6,208)
Finance costs					(405,641)
Profit before tax					1,500,936
31 December 2008					
Segment assets	10,247,611	14,220,085	10,783,227	613,081	35,864,004
Reconciliation:					
Elimination of intersegment assets					(7,933,684)
Interests in jointly-controlled entities	–	–	–	123,231	123,231
Corporate and unallocated assets					6,493,385
Total assets					34,546,936
Segment liabilities	9,387,994	1,887,381	4,088,904	451,940	15,816,219
Reconciliation:					
Elimination of intersegment liabilities					(7,966,461)
Corporate and unallocated liabilities					12,773,036
Total liabilities					20,622,794
Other segment information:					
Recognition of prepaid land lease payments	–	–	19,978	–	19,978
Loss on disposal of items of property, plant and equipment	4	556	–	9	569
Depreciation and amortisation	1,849	76,814	86,461	206	165,330
Capital expenditure*	2,152	4,253	2,110,506	21	2,116,932
Fair value gains on investment properties, net	–	99,414	–	–	99,414

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from operations of approximately HK$3,346,520,000 (2008: HK$634,922,000) was derived from sales by the segment of the property development segment to top 3 customers of the Group, including sales to a group of entities which are known to be under common control with these customers. For the year ended 31 December 2009, the top 3 customers contributed revenue of HK$902,247,000, HK$1,115,887,000 and HK$1,328,386,000 to the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the value of gross proceeds, net of business tax, from the sale of properties; income from hotel operations, property management and related services rendered net of business tax; the gross rental income, net of business tax, received and receivable from investment properties; and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	Note	**2009** **HK$'000**	2008 HK$'000
Revenue			
Sale of properties		**3,535,311**	1,399,575
Hotel operations		**1,576,743**	1,393,861
Gross rental income		**868,898**	786,092
Others		**339,950**	333,940
		6,320,902	3,913,468
Other income and gains			
Bank interest income		**174,784**	197,849
Fair value gains on investment properties, net	17	**169,151**	99,414
Gain on disposal of equity investments at fair value through profit or loss		**–**	35,797
Foreign exchange gain, net		**748**	26,659
Exemption of tax*		**109,405**	–
Others		**31,472**	21,531
		485,560	381,250

* In June 2009, a subsidiary of the Group obtained approval from the local tax bureau for a 50% reduction in the tax for the three years ended 31 December 2008.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2009 HK$'000	2008 HK$'000
Cost of properties sold		**1,913,653**	685,442
Cost of services provided		**1,108,036**	1,030,074
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**77,867**	149,341
Rental income from investment properties less direct operating expenses		**791,031**	636,751
Depreciation	14	**217,303**	163,333
Less: Amount capitalised		**(50)**	(30)
		217,253	163,303
Amortisation of items of intangible assets	19	**4,704**	1,997
Minimum lease payments under operating leases in respect of land and buildings		**6,310**	8,758
Recognition of prepaid land lease payments	18	**47,154**	19,978
Auditors' remuneration		**4,300**	4,468
Employee benefits expense (including directors' remuneration (note 8)):			
Wages and salaries		**498,365**	380,408
Equity-settled share option expense*	33	**1,484**	1,014
Pension scheme contributions**		**55,279**	40,968
Less: Amount capitalised		**(7,683)**	(17,307)
Net pension scheme contributions		**47,596**	23,661
		547,445	405,083
Loss on disposal of items of property, plant and equipment		**286**	569

* Certain employees and directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above and directors' remuneration disclosures in note 8 to the financial statements.

** At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

7. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	**535,948**	574,417
Interest on other bank loans over five years	**108,409**	19,005
Interest on loans from the immediate holding company and a fellow subsidiary wholly repayable within five years	**59,504**	1,584
Total interest expense on financial liabilities not at fair value through profit or loss	**703,861**	595,006
Less: Interest capitalised	**(203,898)**	(189,365)
	499,963	405,641

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	**2008**
	HK$'000	**HK$'000**
Fees	**2,092**	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	**4,536**	3,907
Performance-related bonuses*	**4,993**	2,365
Equity-settled share option expense#	**748**	509
Pension scheme contributions	**268**	217
	10,545	6,998
	12,637	8,198

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 HK$'000	2008 HK$'000
Mr. Lau Hon Chuen, Ambrose	**240**	240
Mr. Liu Hongyu	**240**	240
Mr. Su Xijia	**240**	240
Mr. Ngai Wai Fung	**240**	240
Mr. Gao Shibin	**240**	240
	1,200	1,200

There were no other emoluments payables to the independent non-executive directors during the year (2008: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009						
Executive directors:						
Mr. He Cao*	892	399	936	–	85	2,312
Mr. He Binwu	–	1,466	1,893	131	–	3,490
Mr. Jiang Nan	–	1,265	778	113	105	2,261
	892	3,130	3,607	244	190	8,063
Non-executive directors:						
Mr. Luo Dongjiang**	–	–	–	–	–	–
Ms. Li Xuehua***	–	1,406	1,386	131	78	3,001
Mr. Pan Zhengyi#	–	–	–	131	–	131
Ms. Li Lun@	–	–	–	131	–	131
Mr. Wang Hongjun	–	–	–	111	–	111
	–	1,406	1,386	504	78	3,374
	892	4,536	4,993	748	268	11,437

* Mr. He Cao was appointed as a non-executive director and the Chairman of the Company on 13 February 2009, who has been re-designated as an executive director of the Company with effect from 18 September 2009.

** Mr. Luo Dongjiang has been appointed as a non-executive director and the Chairman of the Company with effect from 18 September 2009.

*** Ms. Li Xuehua, an executive director of the Company, has been re-designated as a non-executive director of the Company with effect from 18 September 2009.

Mr. Pan Zhengyi resigned as a non-executive director and the Chairman of the Company on 13 February 2009.

@ Ms. Li Lun resigned as a non-executive director of the Company on 28 July 2009.

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008						
Executive directors:						
Ms. Li Xuehua	–	1,540	1,067	89	53	2,749
Mr. He Binwu	–	1,275	788	89	111	2,263
Mr. Jiang Nan	–	1,092	510	77	53	1,732
	–	3,907	2,365	255	217	6,744
Non-executive directors:						
Mr. Pan Zhengyi	–	–	–	89	–	89
Ms. Li Lun	–	–	–	89	–	89
Mr. Wang Hongjun	–	–	–	76	–	76
	–	–	–	254	–	254
	–	3,907	2,365	509	217	6,998

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008:Nil).

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four directors (2008: three), and details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2008: two) non-director, highest paid individual for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**902**	1,816
Performance-related bonuses	**1,466**	1,387
Equity-settled share option expense	**113**	–
Pension scheme contributions	**30**	–
	2,511	3,203

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

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

10. INCOME TAX EXPENSE

	2009	2008
	HK$'000	HK$'000
Group:		
Current		
PRC corporate income tax	**548,540**	276,740
LAT (note 30)	**166,513**	155,251
	715,053	431,991
Deferred tax charge/(credit) (note 31)	**27,431**	(30,203)
Total tax charge for the year	**742,484**	401,788

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: Nil).

PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC corporate income tax is provided at the rate of 25% (2008: 25%) on the profits for the PRC statutory financial reporting purposes, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose.

10. INCOME TAX EXPENSE (Continued)

PRC corporate income tax (Continued)

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Group's PRC subsidiaries which were established and located in Shanghai Pudong New Area and Shenzhen Special Economic Zone, respectively. These companies are subject to a preferential rate of 20% for the year 2009 (2008: 18%) followed by tax rates gradually increased from 22% to 25% in the ensuing three years towards 2012. Certain subsidiaries of the Group, which were established and located in Hainan Special Economic Zone and Zhuhai Special Economic Zone, respectively, are subject to corporate income tax at a preferential rate of 20% and are entitled to full exemption from such tax for the first profitable year and a 50% reduction in the following two years.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	109,057		2,364,524		2,473,581	
Tax at the statutory income tax rate	17,994	16.5	591,131	25.0	609,125	24.6
Lower tax rates for specific provinces or enacted by local authority	–	–	(87,623)	(3.7)	(87,623)	(3.5)
Losses attributable to jointly-controlled entities	–	–	(143)	(0.0)	(143)	(0.0)
Income not subject to tax	(26,546)	(24.3)	(9,189)	(0.4)	(35,735)	(1.4)
Expenses not deductible for tax	8,552	7.8	54,498	2.3	63,050	2.5
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	2,582	0.1	2,582	0.1
LAT (note 30)	–	–	166,513	7.0	166,513	6.7
Tax effect of LAT	–	–	(55,085)	(2.3)	(55,085)	(2.2)
Effect of changes in tax rate on deferred tax	–	–	20,609	0.9	20,609	0.8
Tax losses not recognised	–	–	58,282	2.5	58,282	2.4
Others	–	–	909	0.0	909	0.0
Tax charge at the Group's effective rate	–	–	742,484	31.4	742,484	30.0

10. INCOME TAX EXPENSE (Continued)

Group – 2008

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	27,464		1,473,472		1,500,936	
Tax at the statutory income tax rate	4,531	16.5	368,368	25.0	372,899	24.8
Lower tax rates for specific provinces or enacted by local authority	–	–	(90,030)	(6.1)	(90,030)	(6.0)
Losses attributable to jointly-controlled entities	–	–	1,552	0.1	1,552	0.1
Income not subject to tax	(10,406)	(37.8)	(6,562)	(0.4)	(16,968)	(1.1)
Expenses not deductible for tax	5,857	21.3	32,261	2.2	38,118	2.5
Tax losses utilised from previous periods	–	–	(4,548)	(0.3)	(4,548)	(0.3)
LAT (note 30)	–	–	155,251	10.5	155,251	10.3
Tax effect of LAT	–	–	(60,198)	(4.1)	(60,198)	(4.0)
Tax losses not recognised	9	0.0	3,986	0.3	3,995	0.4
Others	9	0.0	1,708	0.1	1,717	0.1
Tax charge at the Group's effective rate	–	–	401,788	27.3	401,788	26.8

The share of tax attributable to jointly-controlled entities amounting to HK$903,000 (2008: HK$836,000) for the year ended 31 December 2009, is included in "Share of profits and losses of jointly-control entities" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of HK$106,490,000 (2008: HK$106,270,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDEND

	2009	2008
	HK$'000	HK$'000
Proposed final – HK2.5 cents (2008: HK2 cents) per ordinary share	**229,037**	174,003

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic earnings per share is based on:

	2009 HK$'000	2008 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,174,408**	900,934

	Number of shares	
	2009 '000	2008 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**8,567,520**	6,132,207

* The weighted average number of ordinary shares in issue for both years presented were adjusted for the rights issue during the year (note 32).

As the adjusted exercise price of the share options outstanding during the year ended 31 December 2009 is higher than the respective average market price of the Company's shares during the year, there is no dilutive effect on the basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009							
At 1 January 2009:							
Cost:							
Opening balance	5,611,391	55,977	84,230	1,313,900	47,144	1,355,253	8,467,895
Reclassification upon adoption of HKAS 40 Amendments (note 17)	–	–	–	–	–	(7,192)	(7,192)
As restated	5,611,391	55,977	84,230	1,313,900	47,144	1,348,061	8,460,703
Accumulated depreciation	(539,491)	(52,673)	(405)	(465,324)	(18,940)	–	(1,076,833)
Net carrying amount	5,071,900	3,304	83,825	848,576	28,204	1,348,061	7,383,870
At 1 January 2009, net of accumulated depreciation	5,071,900	3,304	83,825	848,576	28,204	1,348,061	7,383,870
Additions	–	4,447	–	7,497	1,536	164,216	177,696
Disposals/write-off	–	–	–	(480)	(121)	–	(601)
Depreciation provided during the year	(127,410)	(451)	(2,337)	(81,631)	(5,474)	–	(217,303)
Transfer to intangible assets (note 19)	(16,015)	–	–	–	–	(5,029)	(21,044)
Transfer to prepaid land lease payments (note 18)	–	–	–	–	–	(222,884)	(222,884)
Transfer to properties under development (note 15)	–	–	–	–	–	(415,642)	(415,642)
Transfer	722,037	–	–	138,954	–	(860,991)	–
Exchange realignment	559	5	(2)	64	(3)	(1,300)	(677)
At 31 December 2009, net of accumulated depreciation	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415
At 31 December 2009:							
Cost	6,318,096	60,428	84,230	1,457,650	47,079	6,431	7,973,914
Accumulated depreciation	(667,025)	(53,123)	(2,744)	(544,670)	(22,937)	–	(1,290,499)
Net carrying amount	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008							
At 1 January 2008:							
Cost	3,125,640	52,674	2,532	861,262	31,538	3,076,301	7,149,947
Accumulated depreciation	(470,496)	(43,462)	(187)	(372,391)	(13,986)	–	(900,522)
Net carrying amount	2,655,144	9,212	2,345	488,871	17,552	3,076,301	6,249,425
At 1 January 2008, net of accumulated depreciation	2,655,144	9,212	2,345	488,871	17,552	3,076,301	6,249,425
Additions	–	–	–	329,934	13,971	1,772,722	2,116,627
Disposals/write-off	(1,283)	(145)	(9)	(1,159)	–	(67)	(2,663)
Depreciation provided during the year	(60,311)	(6,255)	(194)	(92,031)	(4,542)	–	(163,333)
Transfer from investment properties (note 17)	–	–	80,462	–	–	–	80,462
Transfer to prepaid land lease payments (note 18)	–	–	–	–	–	(1,186,160)	(1,186,160)
Transfer	2,282,059	–	–	88,092	–	(2,370,151)	–
Exchange realignment	196,291	492	1,221	34,869	1,223	62,608	296,704
At 31 December 2008, net of accumulated depreciation	5,071,900	3,304	83,825	848,576	28,204	1,355,253	7,391,062
At 31 December 2008:							
Cost	5,611,391	55,977	84,230	1,313,900	47,144	1,355,253	8,467,895
Accumulated depreciation	(539,491)	(52,673)	(405)	(465,324)	(18,940)	–	(1,076,833)
Net carrying amount	5,071,900	3,304	83,825	848,576	28,204	1,355,253	7,391,062

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2009			
At 1 January 2009:			
Cost	**2,357**	**529**	**2,886**
Accumulated depreciation	**(489)**	**(209)**	**(698)**
Net carrying amount	**1,868**	**320**	**2,188**
At 1 January 2009, net of accumulated depreciation	**1,868**	**320**	**2,188**
Additions	**–**	**47**	**47**
Depreciation provided during the year	**(471)**	**(110)**	**(581)**
At 31 December 2009, net of accumulated depreciation	**1,397**	**257**	**1,654**
At 31 December 2009:			
Cost	**2,357**	**576**	**2,933**
Accumulated depreciation	**(960)**	**(319)**	**(1,279)**
Net carrying amount	**1,397**	**257**	**1,654**

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2008			
At 1 January 2008:			
Cost	1,349	513	1,862
Accumulated depreciation	(68)	(103)	(171)
Net carrying amount	1,281	410	1,691
At 1 January 2008, net of accumulated depreciation	1,281	410	1,691
Additions	1,008	16	1,024
Depreciation provided during the year	(421)	(106)	(527)
At 31 December 2008, net of accumulated depreciation	1,868	320	2,188
At 31 December 2008:			
Cost	2,357	529	2,886
Accumulated depreciation	(489)	(209)	(698)
Net carrying amount	1,868	320	2,188

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2009, certain of the Group's hotel properties included in property, plant and equipment with an aggregate net carrying amount of approximately HK$1,645,722,000 (2008: HK$1,698,499,000) were pledged to secure bank loans granted to the Group (note 29(a)(i)).

15. PROPERTIES UNDER DEVELOPMENT

		Group	
	Note	2009 HK$'000	2008 HK$'000
As at 1 January		**6,736,455**	4,174,571
Additions (including development costs, land use rights and capitalised expenditure)		**5,947,870**	2,720,598
Transferred from property, plant and equipment	14	**415,642**	–
Transfer to properties held for sale		**(1,803,110)**	(451,018)
Exchange realignment		**4,422**	292,304
As at 31 December		**11,301,279**	6,736,455
Portion classified as:			
– Current assets		**2,601,271**	3,513,153
– Non-current assets		**8,700,008**	3,223,302
		11,301,279	6,736,455

All the Group's properties under development are located in Mainland China and are held under medium term leases.

16. PROPERTIES HELD FOR SALE

All the Group's properties held for sale are located in Mainland China and are held under medium term leases. All the properties held for sale are stated at cost.

17. INVESTMENT PROPERTIES

		Group	
	Notes	2009 HK$'000	2008 HK$'000
As at 1 January		**11,359,374**	10,671,220
Reclassification upon adoption of HKAS 40 Amendments	14	**7,192**	–
As at 1 January (restated)		**11,366,566**	10,671,220
Additions		**3,775**	–
Fair value adjustment	5	**169,151**	99,414
Transfer to owner-occupied properties	14	**–**	(80,462)
Exchange realignment		**168**	669,202
Carrying amount at 31 December		**11,539,660**	11,359,374

17. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued individually on 31 December 2009 by Knight Frank Petty Limited and CB Richard Ellis Limited, independent professionally qualified valuers, at HK$11,539,660,000 (2008: HK$11,359,374,000) on an open market, existing use basis. These investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

At 31 December 2009, certain of the Group's investment properties with a carrying value of HK$7,476,670,000 (2008: HK$7,870,038,000) were pledged to secure the Group's bank loans and the debenture issued by the Group, details of which are included in (note 29(a)(ii)) to the financial statements.

18. PREPAID LAND LEASE PAYMENTS

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
As at 1 January		**1,494,024**	293,817
Additions		**613**	–
Transferred from property, plant and equipment	14	**222,884**	1,186,160
Recognised during the year		**(47,154)**	(19,978)
Exchange realignment		**172**	34,025
As at 31 December		**1,670,539**	1,494,024
Current portion included in prepayments, deposits and other receivables	24	**(45,652)**	(22,123)
Non-current portion		**1,624,887**	1,471,901

The Group's leasehold land is situated in Mainland China and is held under the following lease terms.

	2009	2008
	HK$'000	HK$'000
Long term leases	**380,219**	158,441
Medium term leases	**1,290,320**	1,335,583
	1,670,539	1,494,024

At 31 December 2009, certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$547,147,000 (2008: HK$378,179,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(iii)).

19. INTANGIBLE ASSETS

Group

	Club membership HK$'000	Computer software HK$'000	Total HK$'000
31 December 2009			
Cost at 1 January 2009, net of accumulated amortisation and impairment	**5,693**	**4,399**	**10,092**
Additions	**–**	**1,478**	**1,478**
Transferred from property, plant and equipment (note 14)	**–**	**21,044**	**21,044**
Amortisation provided during the year	**(123)**	**(4,581)**	**(4,704)**
Exchange realignment	**–**	**18**	**18**
At 31 December 2009	**5,570**	**22,358**	**27,928**
As 31 December 2009			
Cost	**6,583**	**32,412**	**38,995**
Accumulated amortisation and impairment	**(1,013)**	**(10,054)**	**(11,067)**
Net carrying amount	**5,570**	**22,358**	**27,928**
31 December 2008			
Cost at 1 January 2008, net of accumulated amortisation and impairment	5,503	5,608	11,111
Additions	–	304	304
Amortisation provided during the year	(154)	(1,843)	(1,997)
Exchange realignment	344	330	674
At 31 December 2008	5,693	4,399	10,092
As 31 December 2008			
Cost	6,583	9,868	16,451
Accumulated amortisation and impairment	(890)	(5,469)	(6,359)
Net carrying amount	5,693	4,399	10,092

20. INTERESTS IN SUBSIDIARIES

		Company	
	Notes	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost		**13,865,502**	11,158,934
Due from subsidiaries	(i)	**599,151**	779,039
Due to subsidiaries	(ii)	**(9)**	(5,892)
		14,464,644	11,932,081

Notes:

(i) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

(ii) Amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Pudong Jinxin Real Estate Development Co., Ltd. *	The PRC/ Mainland China	US$5,600,000	50%#	–	Investment holding
Shanghai Port International Cruise Terminal Development Co., Ltd. ("SPICT")*	The PRC/ Mainland China	RMB61,490,000	–	40.2%@	Property development
Shanghai International Shipping Service Center Co. Ltd. ("SISSC")**(i)	The PRC/ Mainland China	RMB1,474,000,000	50%#	–	Property development
Sinochem Franshion Real Estate (Zhuhai) Co., Ltd.***	The PRC/ Mainland China	RMB490,000,000	100%	–	Property development
Beijing Chemsunny Property Company Limited ***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property development and investment
Beijing Century Chemsunny Property Management Co. Ltd. *	The PRC/ Mainland China	RMB5,000,000	85%	15%	Property management

20. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sinochem International Property and Hotels Management Co. Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property investment and management
Wangfujing Hotel Management Company Limited ***	The PRC/ Mainland China	US$73,345,000	25%	75%	Hotel management
Sinochem Franshion Properties Management Company Limited ***	The PRC/ Mainland China	US$8,000,000	100%	–	Investment holding
Sinochem Franshion Real Estate Co. Ltd.***	The PRC/ Mainland China	RMB150,000,000	100%	–	Investment holding
Zhuhai Kai Ming Consultancy Services Co. Ltd.**	The PRC/ Mainland China	RMB1,000,000	–	100%	Provision of consultancy services
China Jin Mao Group Co., Ltd.*(ii)	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment and management
Shanghai Jinhang International Trading Company Limited**(ii)	The PRC/ Mainland China	RMB10,000,000	–	100%	Trading of diversified products
Shanghai Jin Mao Jinsheng International Trading Company Limited ** (ii)	The PRC/ Mainland China	RMB10,000,000	–	100%	Trading of diversified products
Shanghai Jin Mao Construction & Decoration Company Limited ** (ii)	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of building decoration services
Beijing Jin Mao Real Estate Company Limited ** (ii)	The PRC/ Mainland China	RMB700,000,000	–	100%	Hotel operation
Jin Mao Sanya Resort Hotel Company Limited ** (ii)	The PRC/ Mainland China	RMB300,000,000	–	60%	Hotel operation
Jin Mao Sanya Tourism Company Limited **(ii)	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Jin Mao Shenzhen Hotel Investment Company Limited **(ii)	The PRC/ Mainland China	RMB400,000,000	–	100%	Hotel operation

20. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jin Mao (Li Jiang) Zhi Ye Co., Ltd. ** (ii)	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao (Li Jiang) Hotel Investment Co., Ltd. ** (ii)	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Sinochem Franshion Investment and Management (Beijing) Company Limited***	The PRC/ Mainland China	US$29,000,000	100%	–	Property development
Jin Mao (Shanghai) Real Estate Company Limited** (ii)	The PRC/ Mainland China	RMB200,000,000	–	100%	Property development
Kontix Investment Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Wise Pine Limited (ii)	British Virgin Islands/ Hong Kong	US$1,000,000	100%	–	Investment holding

Notes:

(i) SISSC changed its registered business name from Shanghai Huiguang Real Estate Development Co., Ltd. as at 25 June 2009. Its registered share capital has been increased from RMB1,230,000,000 to RMB1,474,000,00 as at 20 March 2009. Subsequent to the new capital injection during the year, the Company's direct interest in SISSC still remained at 50%.

(ii) On 5 January 2009, the Company acquired the remaining 26.77% equity interest in Wise Pine from Other Shareholders. Upon the completion of the acquisition, the Company's direct interest in Wise Pine and indirect interest in Jin Mao Group's companies were changed to 100%.

The English names of certain of the companies referred to above represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

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

* Registered as Sino-foreign joint ventures under the PRC law.

** Registered as limited liability companies under the PRC law.

*** Registered as wholly-foreign-owned entities under the PRC law.

The Group controls the boards of directors of those entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over their operating and financial activities.

@ Being a subsidiary of a non wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets	**110,534**	114,529
Due from jointly-controlled entities	**8,410**	8,702
	118,944	123,231

The balances with the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

Particulars of the jointly-controlled entities are as follows:

Name	Registered and paid-in capital	Place of registration	Percentage of equity interest indirectly attributable to the Group	Principal activities
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited	RMB22,000,000	The PRC	50%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited	RMB2,000,000	The PRC	45%	Lease of commercial vehicles
Suzhou Jin Mao Jin Jiang Foreign Affairs and Tourism Bus Co., Ltd	RMB5,000,000	The PRC	49.5%	Lease of commercial vehicles
Shanghai Jin Mao International Cruising-Yacht Company Limited	RMB40,000,000	The PRC	23%	Provision of yacht services
Tianjin Franshion Head Co., Ltd	RMB140,000,000	The PRC	49%	Property development

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities.

	Group	
	2009 HK$'000	2008 HK$'000
Share of the jointly-controlled entities' assets and liabilities		
Current assets	**85,809**	94,220
Non-current assets	**53,519**	64,087
Current liabilities	**(28,794)**	(43,778)
	110,534	114,529

	Group	
	2009 HK$'000	2008 HK$'000
Share of the jointly-controlled entities' results		
Revenue	**29,880**	33,026
Other revenue	**1,026**	197
	30,906	33,223
Total expenses	**(30,930)**	(38,595)
Tax	**(903)**	(836)
Loss after tax	**(927)**	(6,208)

22. INVENTORIES

	Group	
	2009 HK$'000	2008 HK$'000
Raw materials	**8,918**	15,902
Consumables and tools	**3,679**	2,651
Hotel merchandise	**21,210**	13,999
Trading stock	**1,545**	4,018
	35,352	36,570

23. TRADE RECEIVABLES

	Group 2009 HK$'000	Group 2008 HK$'000
Trade receivables	**227,413**	126,186

The Group's trade receivables arise mainly from the sale of properties and provision of hotel and property management services.

Consideration in respect of properties sold is payable in accordance with the terms of the related sale and purchase agreement. Whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
Within 1 month	**149,785**	66,053
1 to 3 months	**48,370**	51,095
4 to 6 months	**18,432**	2,034
Over 6 months	**10,826**	7,004
	227,413	126,186

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
Neither past due nor impaired	**214,133**	110,926
Less than 1 month past due	**3,416**	10,023
1 to 3 months past due	**3,847**	1,203
Over 3 months past due	**6,017**	4,034
	227,413	126,186

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

Receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**22,969**	51,507	**6,200**	7,075
Deposits	**2,061**	2,952	**566**	895
Other receivables	**107,570**	95,345	**163**	–
Prepaid land lease payments (note 18)	**45,652**	22,123	**–**	–
	178,252	171,927	**6,929**	7,970

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Due from related parties:		
Ultimate holding company	**3,730**	284
Fellow subsidiaries	**522**	10,405
	4,252	10,689
Due to related parties:		
Ultimate holding company	**26,039**	23,124
Immediate holding company (i)	**–**	2,717,135
Fellow subsidiaries	**44,985**	35,966
	71,024	2,776,225

	Company	
	2009	2008
	HK$'000	HK$'000
Due from fellow subsidiaries	**273**	–
Due from jointly-controlled entities	**1,551**	–
Due to immediate holding company (i)	**–**	2,717,135

Notes:

(i) The amount due to the immediate holding company as at 31 December 2008 included a cash consideration of HK$2,716,473,000 payable for the acquisition of Wise Pine, the balance bears interest at the Hong Kong prime rate per annum. Balance has been repaid during the year ended 31 December 2009 (note 1).

(ii) Other than the balances described in (i) above, the balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2009	2008	2009	2008
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances		**2,374,324**	4,985,362	**91,914**	1,396,722
Time deposits		**5,428,129**	1,375,697	**1,130,747**	51,038
		7,802,453	6,361,059	**1,222,661**	1,447,760
Less:					
Pledged time deposits					
Pledged for long term bank loans	29(a)(iv)	**(249,876)**	(283,950)	**–**	–
Pledged for short term bank loans	29(a)(iv)	**(4,026,411)**	(1,013,133)	**–**	–
Restricted bank balances		**(2,892)**	(17,169)	**–**	–
		(4,279,179)	(1,314,252)	**–**	–
Cash and cash equivalents		**3,523,274**	5,046,807	**1,222,661**	1,447,760

At 31 December 2009, the cash and bank balances of the Group denominated in RMB amounted to RMB1,528,752,000 (2008: RMB4,166,505,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for a one month period, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Due within 1 year or on demand	**313,752**	233,084
1 to 2 years	**340,344**	411,600
2 to 3 years	**3,151**	256,194
Over 3 years	**62,101**	–
	719,348	900,878

The amount of Group's trade payables as at 31 December 2009 mainly represented payables to contractors for the Group's development of various property projects in Beijing, Shanghai and Zhuhai.

The trade payables are non-interest-bearing and unsecured. The carrying amounts of the Group's current trade payables approximate to their fair values.

28. OTHER PAYABLES AND ACCRUALS

	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Other payables	**741,824**	659,902	**1,977**	13,986
Deposits received and receipts in advance	**1,764,940**	3,068,473	**–**	–
Accruals	**39,561**	444,280	**12,350**	7,000
	2,546,325	4,172,655	**14,327**	20,986

Other payables are non-interest-bearing and have no fixed terms of repayment. The carrying amounts of other payables approximate to their fair values.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000	2008 Effective interest rate (%)	2008 Maturity	2008 HK$'000
Current						
Bank loans, secured	**1.46-7.47**	**2010**	**3,735,443**	0-7.47	2009	2,150,932
Bank loans, unsecured	**4.13-7.47**	**2010**	**4,860,088**	2.62-9.12	2009	4,070,771
Other loans, unsecured*	**3.99-4.37**	**2010**	**1,476,540**	–	–	–
Current portion of long term bank loans, secured	**4.86-5.35**	**2010**	**570,172**	7.56	2009	318,024
			10,642,243			6,539,727
Non-current						
Bank loans, secured	**4.86-5.35**	**2011-2019**	**4,506,854**	7.02-7.56	2010-2016	2,953,080
Other loans, unsecured*	**4.86**	**2011-2019**	**227,160**	–	–	–
Debenture, secured	**4.22**	**2012**	**1,135,800**	4.22	2012	1,135,800
			5,869,814			4,088,880
			16,512,057			10,628,607

* Balance represents an amount due to a fellow subsidiary of the Company.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group	
	2009	2008
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable		
Within one year	**9,165,703**	6,539,727
In the second year	**442,962**	2,158,020
In the third to fifth years, inclusive	**2,147,797**	522,468
Beyond five years	**1,916,095**	272,592
	13,672,557	9,492,807
Other borrowings repayable:		
Within one year	**1,476,540**	–
In the third to fifth years, inclusive	**1,362,960**	1,135,800
	2,839,500	1,135,800
	16,512,057	10,628,607

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) certain of the Group's hotel properties included in property, plant and equipment with an aggregate net carrying value of approximately HK$1,645,722,000 (2008: HK$1,698,499,000) (note 14);

(ii) certain of the Group's investment properties with a carrying value of approximately HK$7,476,670,000 (2008: HK$7,870,038,000) (note 17).

(iii) certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$547,147,000 (2008: HK$378,179,000) (note 18).

(iv) certain of the Group's deposits with an aggregate carrying value of approximately HK$4,276,287,000 (2008: HK$1,297,083,000) (note 26).

(v) bank deposits of certain minority shareholders of the Group's subsidiaries with an aggregate carrying value of approximately HK$1,163,059,000 (2008: HK$1,197,133,000).

(vi) bank deposits from fellow subsidiary with an aggregate carrying value of approximately HK$22,716,000 as at 31 December 2008. The pledge was released during the year.

(b) On 20 April 2002, a subsidiary of the Group issued a guaranteed debenture with a principal amount of RMB1,000,000,000 (the "Ten-year Debenture") at an issue price equal to the face value of the debenture. The Ten-year Debenture bears interest at a fixed rate of 4.22% and matures on 28 April 2012.

The fair values of the Ten-year Debenture, amounting to approximately HK$1,135,800,000 (2008: HK$1,135,800,000), were determined based on quoted prices in the market.

(c) Except for the secured bank loans equivalent to approximately HK$357,574,000 (2008: HK$261,604,000) as at 31 December 2009 which are denominated in United States dollars, all borrowings are denominated in RMB.

The carrying amounts of the Group's borrowings approximate to their fair values.

30. PROVISION FOR LAND APPRECIATION TAX

	Group HK$'000
At 1 January 2008	278,782
Charged to the consolidated income statement during the year (note 10)	155,251
Payment during the year	(31,297)
Exchange realignment	15,654
At 31 December 2008 and 1 January 2009	**418,390**
Charged to the consolidated income statement during the year (note 10)	**166,513**
Payment during the year	**(13,876)**
Exchange realignment	**148**
At 31 December 2009	**571,175**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 4 December 1995 in Shanghai and Beijing and from 8 May 1995 in Zhuhai, the local tax bureau requires the prepayment of LAT on the pre-sale and sale proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% on the sales and pre-sale proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

Up to the reporting date, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not finalised the LAT calculation and payments for the Group's property development projects.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of investment properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Provision for LAT HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	1,330,326	191,041	–	(5,905)	1,515,462
Charged/(credited) to the consolidated income statement during the year (note 10)	21,286	32,676	–	(1,715)	52,247
Exchange realignment	83,678	12,414	–	(391)	95,701
At 31 December 2008 and 1 January 2009	**1,435,290**	**236,131**	**–**	**(8,011)**	**1,663,410**
Charged/(credited) to the consolidated income statement during the year (note 10)	**42,287**	**28,730**	**(60,935)**	**(83)**	**9,999**
Exchange realignment	**42**	**28**	**(60)**	**–**	**10**
At 31 December 2009	**1,477,619**	**264,889**	**(60,995)**	**(8,094)**	**1,673,419**

31. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision for LAT HK$'000	Losses available for offset against future taxable profits HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	–	14,000	–	–	14,000
Credited to the consolidated income statement during the year (note 10)	60,189	22,261	–	–	82,450
Exchange realignment	806	1,175	–	–	1,981
At 31 December 2008 and 1 January 2009	**60,995**	**37,436**	**–**	**–**	**98,431**
Credited/(charged) to the consolidated income statement during the year (note 10)	**2,404**	**(27,990)**	**1,124**	**7,030**	**(17,432)**
Exchange realignment	**2**	**(26)**	**1**	**7**	**(16)**
At 31 December 2009	**63,401**	**9,420**	**1,125**	**7,037**	**80,983**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,530,393,000 at 31 December 2009 (2008: HK$810,123,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

	Group and Company 2009 HK$'000	2008 HK$'000
Authorised: 20,000,000,000 ordinary shares of HK$1 each	**20,000,000**	20,000,000
Issued and fully paid: 9,161,489,000 (2008: 6,493,627,000) ordinary shares of HK$1 each	**9,161,489**	6,493,627

During the year, the movements in share capital were as follows:

On 5 January 2009, the Company issued 579,665,000 new ordinary shares of HK$1.00 each at the price of HK$2.14 per share, as part of the consideration for the acquisition of 26.77% equity interest in Wise Pine (note 1).

On 25 March 2009, 1,626,857,000 new ordinary shares were issued at HK$1.67 per share in connection with the rights issue announced on 13 February 2009.

On 22 July 2009, the Company, Sinochem Hong Kong, Citigroup Global Markets Asia Limited and Deutsche Bank AG, Hong Kong Branch (together as "Placing Agents") entered into a Placing and Subscription Agreement pursuant to which (i) the Placing Agents have agreed, on a fully-underwritten basis and as agent of Sinochem Hong Kong, to procure placees to purchase, or failing which to purchase itself as principal, 768,900,000 existing ordinary shares at a price of HK$2.52 per share; and (ii) Sinochem Hong Kong has conditionally agreed to subscribe for 461,340,000 new ordinary shares at HK$2.52 per share. On 3 August 2009, 461,340,000 new shares were issued at HK$2.52 upon the completion of the aforementioned placing and subscription of shares.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue '000	Deemed shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2008	4,915,264	1,187,962	6,103,226	3,270,193	9,373,419
Issue of shares in connection with business combination under common control	1,187,962	(1,187,962)	–	–	–
Issue of shares for acquisition of minority interests	390,401	–	390,401	409,922	800,323
At 31 December 2008 and at 1 January 2009	**6,493,627**	**–**	**6,493,627**	**3,680,115**	**10,173,742**
Issue of shares for acquisition of minority interests	**579,665**	**–**	**579,665**	**660,818**	**1,240,483**
Rights issue	**1,626,857**	**–**	**1,626,857**	**1,089,994**	**2,716,851**
Issue of new shares	**461,340**	**–**	**461,340**	**701,237**	**1,162,577**
Share issue expenses	**–**	**–**	**–**	**(22,375)**	**(22,375)**
At 31 December 2009	**9,161,489**	**–**	**9,161,489**	**6,109,789**	**15,271,278**

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including the Company's executive and non-executive directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive director. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) par value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2009		2008	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
As at 1 January	**3.37**	**5,550,000**	–	–
Granted during the year	**–**	**–**	3.37	5,550,000
Adjustment for rights issue	**3.37**	**(6,245)**	–	–
Forfeited during the year	**3.37**	**(73,917)**	–	–
As at 31 December	**3.37**	**5,469,838**	3.37	5,550,000

No share option has been exercised during the year.

33. SHARE OPTION SCHEME (Continued)

The exercise price and exercise period of the share options outstanding as at that end of the reporting period are as follows:

2009

Number of options	Exercise price* HK$ per share	Exercise period
5,469,838	**3.37**	**5 May 2010 to 4 May 2015**

2008

Number of options	Exercise price* HK$ per share	Exercise period
5,550,000	3.37	5 May 2010 to 4 May 2015

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

There is no new share option granted during the year and the fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000 of which the Group recognised a share option expense of HK$1,484,000 in the year ended 31 December 2009 (2008: HK$1,014,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	**0.59**
Expected volatility (%)	**49.6**
Historical volatility (%)	**49.6**
Risk-free interest rate (%)	**2.46**
Expected life of options (year)	**4.95**
Weighted average share price (HK$ per share)	**3.25**

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 5,469,838 share options outstanding under the Scheme (2008: 5,550,000). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,469,838 (2008: 5,550,000) additional ordinary shares of the Company and an additional share capital of HK$5,470,000 (2008: HK$5,550,000) and share premium of HK$12,964,000 (before issue expenses) (2008: HK$13,154,000).

34. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 102 of the financial statements.

(ii) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control in previous year.

(iii) Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of additional minority interests of a subsidiary, the difference between the cost of acquisition and the minority interests acquired.

(iv) PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

34. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008		3,270,193	–	370,852	3,641,045
Issue of shares		409,922	–	–	409,922
Equity-settled share option arrangements	33	–	1,014	–	1,014
Total comprehensive income for the year	11	–	–	106,270	106,270
Proposed final 2008 dividend		–	–	(174,003)	(174,003)
At 31 December 2008 and at 1 January 2009		**3,680,115**	**1,014**	**303,119**	**3,984,248**
Issue of shares		**2,452,049**	**–**	**–**	**2,452,049**
Share issue expenses		**(22,375)**	**–**	**–**	**(22,375)**
Equity-settled share option arrangements	33	**–**	**1,484**	**–**	**1,484**
Total comprehensive income for the year	11	**–**	**–**	**106,490**	**106,490**
Proposed final 2009 dividend		**–**	**–**	**(229,037)**	**(229,037)**
At 31 December 2009		**6,109,789**	**2,498**	**180,572**	**6,292,859**

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

(a) On 5 January 2009, the Company issued 579,665,000 new ordinary shares of HK$1.00 at HK$2.14 per share, as part of the total consideration for acquiring a 26.77% equity interest in Wise Pine from Other Shareholders (note 1).

(b) On 13 February 2009, the Company announced a plan to raise HK$2,716,900,000 (before issue expenses) by way of a rights issue of 1,626,857,000 new ordinary shares of HK$1.00 at HK$1.67 per share on the basis of 23 new ordinary shares for every 100 existing ordinary shares. The rights issue was completed on 25 March 2009. Any shares under the rights issue not taken up by the existing shareholders were fully underwritten by Sinochem Hong Kong.

The rights issue was completed on 25 March 2009 and 1,626,857,000 rights shares were issued. 1,578,409,000 new ordinary shares were taken up by Sinochem Hong Kong at HK$1.67 and these shares were used to satisfy part of the deferred payment of HK$2,716,473,000 (note 1) in relation to Jin Mao Group Acquisition. Whereas the proceeds (before share issue expenses) from 48,448,000 new ordinary shares taken up by other existing shareholders at HK$1.67 amounted to HK$80,908,000 were used to repay the remaining principal of the deferred payment amounted to HK$80,529,000 and the related interest expenses due to Sinochem Hong Kong.

36. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$259,022,000 (2008: HK$301,205,000).

In the opinion of the directors, there is no solvency risk as the net realisable value of the Group's properties exceeds the amount of guarantees provided.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to sixteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**658,847**	448,570
In the second to fifth years, inclusive	**470,406**	425,231
After five years	**6,066**	4,653
	1,135,319	878,454

(b) As lessee

The Group and the Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,671**	2,708	**2,671**	2,069
In the second to fifth years, inclusive	**116**	527	**116**	168
	2,787	3,235	**2,787**	2,237

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2009	2008
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**–**	171,606
Properties under development	**79,975**	165,356
	79,975	336,962

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions details elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Fellow subsidiaries:			
Interest expense	(i)	**43,036**	922
Rental income	(ii)	**145,763**	143,072
Property management fee income	(ii)	**16,305**	12,813
Other service income	(iii)	**151**	372
The immediate holding company:			
Interest expense	(i)	**16,468**	662
Rental expense	(iv)	**1,923**	1,847
The ultimate holding company:			
Rental income	(ii)	**62,544**	63,334
Property management fee income	(ii)	**11,726**	10,717
Income from hotel operations	(v)	**–**	654

Notes:

(i) The interest expenses on other loans due to the immediate holding company and a fellow subsidiary were charged at the interest rates of bank loans with similar terms.

(ii) The rental income and property management fee income were charged at terms pursuant to the relevant agreements entered into by the Group with the relevant fellow subsidiaries of the Company and the ultimate holding company.

(iii) The other service fee income was charged by the Group on terms similar to those offered to third parties.

(iv) The rental expense was charged on terms pursuant to the agreement entered into by the Company and the immediate holding company.

(v) The income from hotel operations was charged on terms similar to those offered to third parties.

39. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year ended 31 December 2008, the Group acquired a 54.87% equity interest in Wise Pine Limited from Sinochem Hong Kong for a consideration of HK$5,151,795,000.

(c) Compensation of key management personnel of the Group

	2009 HK$'000	2008 HK$'000
Short term employee benefits	**16,448**	10,725
Post-employment benefits	**434**	376
Equity-settled share option expense	**603**	767
Total compensation paid to key management personnel	**17,485**	11,868

Further details of directors' emoluments are included in note 8 to the financial statements.

(d) Transactions with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, sale of properties developed, provision of property lease and management service and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosures.

The related party transactions in respect of all items in note 39(a) and 39(b) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other interest-bearing loans, amounts due from/to related parties, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's property portfolio. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

The Group's assets are predominantly in the form of investment properties, land use rights, properties under development and properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Since the Group mainly enters into loans at floating interest rate, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate long term borrowings). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 December 2009		
RMB	**27**	**(28,853)**
RMB	**(27)**	**28,853**
31 December 2008		
RMB	27	(16,704)
RMB	(27)	16,704

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currencies liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the ability of the Group's subsidiaries' to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions from us.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

Reasonably possible changes of 1% in the exchange rate between HK$ and United States dollars ("US$") and 5% in the exchange rate between RMB and US$ would have no material impact on the Group's profit for the years ended 31 December 2009 and 2008 and there would be no material impact on other components of the Group's equity.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its properties sale, leasing activities, provision of hotel and property management services and from its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2009				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	**11,180,708**	**732,732**	**4,049,228**	**2,159,473**	**18,122,141**
Trade and bills payables	**719,348**	**–**	**–**	**–**	**719,348**
Other payables	**741,824**	**–**	**–**	**–**	**741,824**
Due to related parties	**71,024**	**–**	**–**	**–**	**71,024**
	12,712,904	**732,732**	**4,049,228**	**2,159,473**	**19,654,337**

	2008				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	6,693,196	2,448,131	2,007,511	417,763	11,566,601
Trade and bills payables	900,878	–	–	–	900,878
Other payables	659,902	–	–	–	659,902
Due to related parties	2,844,138	–	–	–	2,844,138
	11,098,114	2,448,131	2,007,511	417,763	15,971,519

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2009				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Other payables	**1,977**	**–**	**–**	**–**	**1,977**

	2008				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	13,986	–	–	–	13,986
Due to the immediate holding company	2,785,048	–	–	–	2,785,048
	2,799,034	–	–	–	2,799,034

Fair values

The financial assets and liabilities which are not carried at fair value in the statement of financial position are presented below:

(i) Cash and cash equivalents, pledged deposits, restricted bank balances, trade receivables, prepayments, deposits and other receivables, trade payables, other payables and amounts due from/to related parties

The carrying amounts of these balances approximate to their fair values because of the immediate or short term maturity of these financial instruments.

(ii) Bank and other borrowings

The carrying amounts of bank loans and other borrowings approximate to their fair values, based on the prevailing interest rates.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents and restricted bank balances and pledged deposits. Adjusted capital comprises all components of equity (including minority interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the end of the reporting period were as follows:

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Interest-bearing bank and other borrowings	29	**16,512,057**	10,628,607
Less: Cash and cash equivalents	26	**(3,523,274)**	(5,046,807)
Restricted bank balances and pledged deposits	26	**(4,279,179)**	(1,314,252)
Net debt		**8,709,604**	4,267,548
Total equity		**17,946,866**	13,924,142
Add: Amounts due to related parties	25	**71,024**	2,776,225
Adjusted capital		**18,017,890**	16,700,367
Debt-to-adjusted-capital ratio		**48.3%**	26.0%

During the period the Group did not break any of its loan covenants, nor did it default on any of its obligations under its loan agreements.

41. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2010, Shanghai Keyi Franshion Business Consultancy Company Limited, a non-wholly owned subsidiary of the Company, was deregistered.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2010.

FIVE-YEAR FINANCIAL INFORMATION

I. MAJOR INFORMATION OF INCOME STATEMENTS

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
RESULTS					
REVENUE	2,438,104	2,041,015	2,812,981	3,913,468	**6,320,902**
Cost of sales	(1,019,499)	(944,952)	(1,135,369)	(1,715,516)	**(3,021,689)**
Gross profit/(loss)	1,418,605	1,096,063	1,677,612	2,197,952	**3,299,213**
Other income and gains	444,777	1,041,157	3,277,618	381,250	**485,560**
Selling and distribution costs	(169,075)	(166,621)	(173,218)	(168,912)	**(254,734)**
Administrative expenses	(323,102)	(326,236)	(385,978)	(494,582)	**(552,500)**
Other expenses	(1,229)	(3,029)	(2,043)	(2,923)	**(3,068)**
Finance costs	(102,814)	(140,761)	(304,234)	(405,641)	**(499,963)**
Share of profits and losses of:					
Jointly-controlled entities	3,746	4,994	5,227	(6,208)	**(927)**
Associates	–	–	(410)	–	**–**
PROFIT BEFORE TAX	1,270,908	1,505,567	4,094,574	1,500,936	**2,473,581**
Tax	(305,463)	(248,194)	(1,241,909)	(401,788)	**(742,484)**
PROFIT FOR THE YEAR	965,445	1,257,373	2,852,665	1,099,148	**1,731,097**
Attributable to:					
Owners of the parent	544,183	766,185	2,520,302	900,934	**1,174,408**
Minority interests	421,262	491,188	332,363	198,214	**556,689**
	965,445	1,257,373	2,852,665	1,099,148	**1,731,097**

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Total non-current assets	9,347,004	11,917,003	21,290,494	23,961,343	**29,025,701**
Total current assets	2,468,241	3,972,066	10,411,391	10,585,593	**11,116,810**
Total assets	11,815,245	15,889,069	31,701,885	34,546,936	**40,142,511**
Total current liabilities	3,548,462	5,200,567	12,128,550	14,870,504	**14,652,412**
Total non-current liabilities	2,637,515	3,718,944	4,192,806	5,752,290	**7,543,233**
Total liabilities	6,185,977	8,919,511	16,321,356	20,622,794	**22,195,645**
Equity attributable to:					
Owners of the parent	3,348,508	4,171,478	12,035,146	11,040,045	**16,419,645**
Minority interests	2,280,760	2,798,080	3,345,383	2,884,097	**1,527,221**
	5,629,268	6,969,558	15,380,529	13,924,142	**17,946,866**

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For the reason of good corporate citizenship, we print our 2009 Annual Report with FSC paper to fulfill our corporate responsibility and create a bright future for our next generation.

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